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# FINANCIAL TIMES

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## NEWS SUMMARY

### GENERAL

#### Ulster women's peace prize

Betty Williams and Miss ad Corrigan, leaders of an Ireland's peace movement, have been awarded the Nobel Peace Prize, worth £80,000. The 1977 prize to Amnesty International working to free political prisoners.

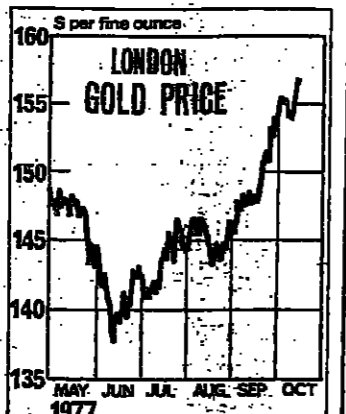
### BUSINESS

#### Setback to gilts; equities off 8.1

● GILTS suffered a further setback with long-dated stocks losing up to 2.5%. The FT Government Securities Index dropped 1.72 to 26.82.

● EQUITIES were also lower, the FT 30-Share Index closing at 599.1, off 8.1. Gold Mines were stronger.

● STERLING gained 15 points to \$1.7603 and its trade-weighted index rose to 62.4 (62.3). The New York market was closed for Columbus Day.



● GOLD rose \$3 to \$157.125, the highest level for more than two years.

● WALL STREET edged down 0.09 to 840.26.

● SHORT-TERM interest rates in the London money market indicated that a further cut in minimum lending rates is possible this week. U.S. rates expected to fall.

● The West's demand for steel this year is likely to be 10 per cent. less than expected. Details Page 8

#### Quiet space

● 25 named Soviet spies prepared to return to their home countries after falling to link with the KGB. Details Page 2

#### Intelligence claim

● A claim that a body of British intelligence officers had never recovered the world would be that he was shot in the head in a wood on the Irish side of the Irish Republic. Details Page 2

#### Rac charge

● A Special Criminal Court that while the body of Robert White had never recovered the world would be that he was shot in the head in a wood on the Irish side of the Irish Republic. Details Page 2

#### Min line-up

● Owen, Foreign Secretary, greeted at the Kremlin by a senior Soviet official in a welcome which aimed at taking Anglo-Soviet relations to a big step. Details Page 2

#### Carter poll

● Carter's popularity has for the fifth month in a row fallen to a low of 40 per cent, according to a poll by Harris Associates. Details Page 2

#### Police holds 1,000

● Police arrested more than 1,000 people protesting the one-day arrest last night of Mrs. Indira Gandhi, the Prime Minister, on charges. Details Page 7

#### Office said

● Office said that two men, sentences of nine years for armed bank robbery, escaped from Chelmsford after being through bars.

#### Take shock

● The South Pacific between Tonga and the islands, north-east of the island.

## Europe offers steel sales curb to U.S. to avoid trade war

BY ROY HODSON: ROME, OCTOBER 10

European steelmakers are attempting to defuse the threatened world steel trade war with an offer to place a voluntary limit on exports to the U.S. The main condition they are making is that other steelmakers should be prepared to do the same.

The scheme has been hastily conceived here in Rome during the last 24 hours of a series of talks between leaders of the European steel companies, including Sir Charles Villiers, chairman of British Steel Corporation. Between sessions here of the International Iron and Steel Institute conference, they have agreed to put together a proposal for restraining sales in the American market which, if accepted internationally, would have a profound effect on the present steel crisis.

The European steel men are hoping that their scheme will persuade the American steel companies to call off plans to launch a series of major anti-dumping cases in the U.S. against imported steel. Britain and continental Europe are selling 6m. tonnes of steel a year, worth £1bn. in the U.S. The proposed European-U.S. steel agreement is designed to run in parallel with a broadly similar agreement which the Japanese have proposed to the U.S. but which has not yet been accepted by the U.S. Government.

Japan is also selling £1bn. worth of steel annually in the U.S., where imports overall account for nearly 20 per cent of the market in tonnage terms. A voluntary restraint agreement appears likely to seem

The aim would be to achieve an applicable agreement for the voluntary limitation of steel sales of all origin in the U.S. market. The agreement should embody the principles of relative positions included in the previous voluntary restraint agreements that have existed between European steelmakers and the Americans.

Mr. Ferry was the architect of two such agreements which ran from the late 1960s to 1974. Viscount Etienne Davignon, the Community Commissioner for Industry, is to be told tomorrow of the proposal. The Community should fight the steel case with the U.S. Government.

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## Scanlon waives NEB salary

By John Elliott, Industrial Editor

MR. HUGH SCANLON, president of the Amalgamated Union of Engineering Workers, yesterday became the third union leader to decline to draw a £1,000-a-year salary as a part-time member of the National Enterprise Board.

This emerged when Mr. Scanlon's appointment to the Board was announced along with that of Sir Jack Wellings, chairman and managing director of the 600 Group since 1968. In line with other industrialists on the Board, Sir Jack will draw his salary.

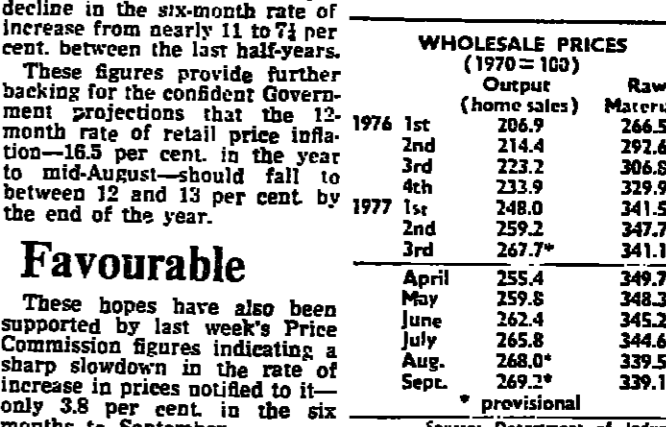
Mr. Scanlon, who retires from his union's presidency next October, draws £1,000 a year as a part-time member of the British Gas Corporation and is also chairman of the Engineering Industry Training Board.

Such appointments are quasi-governmental organisations, and the salaries they bring cause public controversy from time to time and are sometimes especially resented in the trade unions.

## Fall in rate of wholesale price rises

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE SLOWDOWN in the rate of inflation is now showing through more clearly in official figures, with a marked deceleration in September in the rate of increase in industry's wholesale output prices and a fall in its raw material costs for the fifth month running.



Factory-gate prices charged by manufacturing industry rose by less than 1 per cent in 1976 (1970=100) in September—the smallest monthly rise for nearly four-and-a-half years—according to Department of Industry figures announced yesterday.

This index has risen by only just over 21 per cent in the last three months, while the longer-term improvement is shown by a decline in the six-month rate of increase from nearly 11 to 7 1/2 per cent, between the last half-years.

These figures provide further backing for the confident Government projections that the 12-month rate of retail price inflation—16.5 per cent in the year to mid-August—should fall to between 12 and 13 per cent by the end of the year.

## Mrs. Thatcher urges Tory unionists to fight extremism

BY RICHARD EVANS IN BLACKPOOL

MRS. MARGARET THATCHER, Conservative leader, in an aggressive mood on the eve of the party conference last night, urged all Tory trade unionists to combat political extremism in the unions, and to opt out of the political levy paid to the Labour Party.

Against the background of potential conflict within the party over its attitude to industrial relations, Mrs. Thatcher told the Tory agents' dinner that the party must do all it could to encourage moderation within the trade union movement.

The most effective means, apart from increasing Conservative union membership, was to ensure that more Tory voters contracted out of their political levy.

Even before the conference opens to-day the issue of industrial relations has dominated events. Mrs. Thatcher went out of her way to refer to it in last night's speech, and it was the major item in television and radio interviews she gave yesterday.

Joseph, her policy adviser, and Mr. James Prior, employment spokesman, over the Scamman report on Grunwick.

Mr. Prior, still under heavy attack from the Right wing because of his conciliatory approach to the trade unions, will speak in the closed shop debate this afternoon. Sir Keith repiles earlier to a debate on industry and free enterprise. There is also a debate on small businesses immediately before Mr. Prior speaks.

Representatives at the conference have chosen race relations as a strong cash position. At March party as the mixed reception given to the Rhodesian black leader Bishop Muzorewa last night by Young Conservatives.

Other conference reports, Page 12  
Society To-day Page 25

## Surprise bid for Lindustries

BY CHRISTINE MOIR

A SURPRISE bid of 135p a share in cash from Hanson Trust, the industrial holding group, sent the shares of Lindustries, the engineering and textile group, from 90p to 135p yesterday.

The bid is conditional on recommendation by the Lindustries Board, which said yesterday that it had had almost no warning of it. It refused to comment on the offer until it had been discussed with the company's merchant bankers.

known to be looking for acquisitions. At the last annual meeting, Sir James Hanson, the chairman, promised that there would be further takeovers in the U.K. and overseas.

In the event its only U.K. offer this year, 122p in cash for Whitcroft, also active in textiles and engineering, lapsed in March. Since then there has been considerable speculation over other possibilities but Lindustries had not been included among them.

### PRICE CHANGES YESTERDAY

(in pence unless otherwise indicated)

3ipc 76-79	196 1/2	1 1/2
W.G.	102	7
W.L.	106	7
Yield Prop.	97	18
Gibson	225	12
Property	273	15
(S.)	46	3
Grp. Clns.	60 1/2	4 1/2
trics	101	4 1/2
Shipping	150	6
Group	69	5
Wiggins	34	3
Mines	34	3
Deep	280	3 1/2
State Gen.	212 1/2	3 1/2
African Land.	55	3 1/2
als	475	2 1/2
seals	131	1 1/2
Lead Cons.	183	2 1/2

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### FT SURVEY

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## Catch a Caribbean Jumbo

747s to Kingston at 1045 every Wednesday (via Bermuda and Nassau) and Saturday (via Bermuda). Plus Barbados and Trinidad at 1140 every Tuesday and Saturday. All from Heathrow. With lots of 707s and VC10s in between. Full details from your Travel Agent or British Airways shop.



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# Sterling and the Dutch disease

BY SAMUEL BRITTON

THOSE whom the gods wish to destroy they first make mad. A year ago the Chancellor and his advisers were beside themselves with worry because sterling was tending to fall. Now they are almost as concerned that sterling is tending to rise.

But, of course, the more that the authorities are seen to do on the sterling rate, the more hot money comes flooding in, because there is only one direction in which it can go in the short term, which is upwards.

Some package of measures for dealing with this problem is almost certain. One thing is certain. It will not be a permanent shift up to a free float. Mr. Healey expressed in Washington his fear that sterling would rise too high; and from Brighton last week there was talk of a strong official desire to see sterling depreciate next year to regain some competitive advantage. At the same time Ministers are desperately concerned about firms offering their workers more than the national target of 10 per cent, which they are trying to make into as near a rigid norm as possible.

## Trade

But it is a coincidence that the most prominent offers of embarrassing assistance come from firms prominently engaged in international trade—whether it is a big boy like Ford in a position to bully the Government, or a small boy like Mackie whom the Government is trying to bully in its turn. Would not a rising pound have been far more effective in discouraging inflationary wage offers than any amount of Tammany Hall-type arm-twisting? And is not the Government's known commitment to depreciate sterling in line with any excessive overseas payments. The light to a successful exporting firm which knows its business?

But I want now to move away from the inflation issue to the underlying fear which is troubling the economic establishment. This is known as "the Dutch disease," on the analogy of the role of natural gas in balancing Dutch overseas payments. The fear is that thanks to North Sea oil and the surplus on invisibles, British overseas payments will balance with a substantial deficit on visible non-oil trade. This would be, it is said, to the relative disadvantage of manufacturers; and would thus lead to de-industrialisation, mass unemployment and a siege of Downing Street by the mob.

£bn.	1976	Future	Future
		Fear	Hope
Fuel Balance	-4	0	0
Invisibles	+2	+2	+2
Non-Fuel			
Visible	+1	-2	+2
Current			
Account	-1	0	+4
Capital			
Account	-2	+1	?
Overall	-3	+1	?

## FILM AND VIDEO BY JOHN CHITTOCK

# A British triumph

THERE IS one activity in which we surpass the Germans, the Americans, the French and many other countries: the sponsored documentary film. Ten days ago in West Berlin, Venice this year for the 18th International Industrial Film Festival, Britain triumphed with four of the eight category first prizes, three seconds, one of the two Grand Prix and two of the three other special awards. The U.S., which produces more industrial films than the rest of the world put together, limped home with one third prize and one of the three special awards. Germany and France were clearly the challengers to Britain, with a number of awards each for some excellent films. Holland was the only other country out of the 15 competing to make some kind of impact.

## Testimony

Another favourite of mine, although not of the judges (it was unplaced) was *Gutenberg* by *Cheez Les Electrons*, sponsored by *Berger Levrault* of France. This film parallels the printing presses of 300 years ago with modern electronic systems now employed in printing. It is a testimony to progress in the industry, but sensitively preserves a real sense of respect for the craft of the old printer.

Such films barely belong to the commercial world of the late 70s, where industrial films are dominated by the need to sell. I had to travel all the way to Berlin for my first viewing of any selling documentary on television. *Plus vite Que Le Soleil*, sponsored by *Air France* and not *British Airways*, in spite of its predictable story line of a woman barstier leaving for work and popping over to Rio before returning home to her husband, this shows the Concorde in all its magnificence and should help to sell the concept of supersonic travel. My sorrow that it wasn't made by *British Airways* was given added irony when recognising their Films Officer in the film—playing the role of a French business traveller!

Those currently preoccupied with giving a boost to small businesses in Britain would find a Swedish entry, *On Your Own*, worth importing to these shores. Made for Svenska Arbetstivarvarens, it promulgates to young viewers the idea of small businesses and individual enterprise. By intercutting old newspaper clips of pioneering attempts to fly with the story of the lone risk taker in business, it provides a funny yet poignant incentive for school leavers to consider a self-made career.

Other themes of a purely business nature were not neglected. A-G-AG—*Aktiengesellschaft*, telling, again for school audiences, something about *faé* German

Boise, company structures and the role of shares in the economic system (sponsor: Arbeitskreis zur Förderung der Aktie e.V.). *L'Enigme*, made by Formation Creative of Paris, is a tedious tale of pseudo-detective investigation into the marketing failure of a new product; but for all its tedium, the content is interesting.

The Americans redeemed themselves slightly with an epic from Continental Oil Company, *To Fly*, a dramatised account of the history of aviation in the U.S. It is a film of great quality, in odd contrast to most American sponsored films, but still retains that synthetic characteristic found in nearly all of them.

BASF predictably produced another masterpiece, *Das Gröne Feuer*, a popular science account of photosynthesis. It is possibly the most perfect BASF film I have seen, but screened in its German version and heavily dependent on commentary, I found it difficult to assess.

Most of the U.K. films have been reviewed in this column before, and on this occasion British Petroleum dominated the winners—with *The End of the Road*, *Energy in Perspective*, *The Slender Chance* and *Proteins* scooping up numerous prizes. This is no fluke; without BP today, the U.K. industrial film would be fighting to hold its position. Indeed, BP and Shell in U.K. and BASF in Germany now dominate the international sponsored film scene—not only in quality, quantity and statesmanship, but in their responsible support for the industry.

Perhaps the survivors in film are the survivors in industry. The oil companies have always excelled in documentary, their past enlightenment almost a vision of the economic role they would play in the seventies. Perhaps therein lies a lesson, because other great industrial sponsors of the past—no longer holding the front rank to-day—were the railways, steel, coal, textiles... and the motor industry.

## SALE ROOM BY ANTONY THORNTON

# Good start for Islamic week at Sotheby's

SOTHEBY'S started one of its periodic Islamic weeks yesterday with a good auction of Oriental miniatures and manuscripts which totalled £215,264. The only weak section was Persian lacquer which seems to be experiencing a fall-off in demand. Most of the top lots were on, or above, their forecasts.

Among the highest miniatures, an early Akbar miniature, showing a mahout on an elephant, produced around 1580, sold for £22,000, plus the 10 per cent buyers' premium, to Colnaghi.

A 16th century Shiraz Qur'an, with many illustrations, went to Iranian dealer, Aitghedel, for £17,000, and two Persian tinted drawings of around 1870, signed by Muhammad and showing a Royal hunting scene, fetched £17,000 and £15,000 respectively.

A Mashrihi Qur'an, from North Africa or Andalusia, of the 13th-14th century more than doubled its estimate at £16,000, to Spink, and an Indian miniature of Prince Salim before he became the Emperor Jahangir, of 1600-1605, went for £15,000, also to Spink.



The miniature that fetched £22,000.

## Rare carpet

In a minor auction of Old Master engravings at Sotheby's which totalled £25,089, a Rembrandt etching, a self portrait, went for £600.

The chief sale of continental pottery yesterday brought in £30,747. A Kiel falcon pot pourri vase, of about 1770, sold to the German buyer Bethman for £850. He also acquired a Hana blue and white octagonal jardiniere, of about 1745, for £750, and a pair of Sceaux rectangular jardinières, of 1750, for £600.

At the major sale of Sotheby's Islamic week on Friday, a Middle East carpet, reckoned the first to appear at auction for 100 years, comes under the hammer. Known as the "Trevor Kashan" it is one of only six other complete Kashan or complete Kashan carpets remaining from the earliest period, the Shah Abbas Group of around 1580.

Mr. John Trevor, a U.S. collector, bought the carpet in 1916 and now a price in excess of \$150,000 is expected. Only two Herez silk carpet.

## RACING BY DOMINIC WIGAN

# Dewhurst field down to eight

ONLY EIGHT remain in the William Hill-supported Dewhurst Stakes at Newmarket on Friday. The jockeys must be hoping that the field does not cut up further.

Try My Best (Piggott), Sexton Blake (Carson), Labienus (Hilde), Moon Sammy (Kimberley), Tannenber (Mercer), Swing Bridge (Cox), Porters (Starky) are the runners. Peter Walwyn does not intend deciding on the participation of Camden Town until tomorrow.

Camden Town, a full brother to High Top, could have won Friday's Duke of Edinburgh Stakes at Ascot by wide margins. Peter Eddery so wished, and the extremely easy race he swayed there seems likely to sway Walwyn in favour of a tilt at this week's prize.

William Hill makes Try My Best an 11-8 favourite for the Dewhurst, while going 4-6 Sexton Blake, 5-1 Camden Town, 10-1 Tannenber, 12-1 Labienus, 25-1 Moon Sammy and Porters and 33-1 Swing Bridge.

Those intending to bet on the SKF Cesarewitch are probably best advised to hide their time. Several leading fanciers for this gruelling stagers' event may miss the line-up if there is not a good deal of rain on Saturday.

Others will not run up to their true ability. Last year's winner, John Stakes and I can see no reason why Silver Lord should complete the Double in the ground. Another is Hard Attack, who will carry plenty of Findon Clive Brittain and Edwi Hile, his stable jockey, for 100 to 1. Equally, with hindsight, I think we were mad to offer the because it would have been propping him up for two or three years.

"I think if we had agreed to compromise we would have been in hot water. At the end of the two or three years the pistol would still be loaded and the test and could not then offer Mr. Packer exclusive television rights in cricket played in Australia. Mr. Steele was giving evidence for the defence but forwardly the International Cricket Conference and the Test and County Cricket Board in reply to what Mr. Packer's company, West Series Cricket, and cricketeers Tony Greig, John Snow and M. Procter, for orders prevented the authorities banning Packer players from Test and county cricket.

It was the eleventh day of the hearing before Mr. Justice Goffe.

# 'Free-for-all' handout of valuables after Baker St. bank raid

LOYDS BANK was negligent both before and after the £3m. raid on safety deposit vaults at Baker Street in 1971. Mr. Raymond Kidwell QC, claimed in the High Court yesterday. Mr. Kidwell submitted that the security and alarm systems were wholly insufficient and that a man later convicted of taking part in the raid managed to gain entry to reconnoitre on 14 occasions by renting a deposit box.

The aftermath of the raid also showed negligence by the bank, Mr. Kidwell told Mr. Justice Stocker. Jewellery ignored by the thieves was piled on tables and people were allowed in to take it. The bank failed even to check that some were depositors, counsel alleged.

"The system would have facilitated, and doubtless did facilitate, people getting valuables which were not theirs," Mr. Kidwell said.

Counsel was opening a case, expected to last at least six weeks, in which people who had valuables stolen are claiming a total of £660,000 from Lloyds. They allege that the bank was negligent in taking care of their property.

The bank denies negligence. A total of 139 claims have been made against the bank by 96 individuals and groups of people. Four men have been jailed for their parts on the raid in which a tunnel was bored into the safety deposit vaults. Three are serving 12 year sentences and one eight years. Mr. Kidwell said the present claim was purely on the question of the bank's liability to its customers and would not concern individual claims over the value of items stolen and ownership.

Mr. Kidwell said the bank had undertaken to keep the articles in safe deposit boxes and return them on demand. The bank claimed its liability was limited to the exercise of "customary diligence," a phrase called "Baker Street" in the case. The bank later convicted of complicity in the raid had been allowed to have a safe deposit box and visit it on 14 occasions in 1971, so allowing him to "case the joint."

The security and alarms of the vault had been "wholly insufficient for the standards required of a bank in 1971."

"Negligence continued after the raid" when items left strewn around the vault by the thieves had been gathered up and an attempt made to trace their owners. The items had been put on tables and the bank asked depositors to come and identify their belongings.

In some cases the bank had not checked with some people who turned up that they were depositors, counsel alleged. "In the first few days people were also allowed to take things away without even giving a receipt."

As a result the system used by the bank for distribution of recovered items "was properly west widely and wildly astray."

Mr. Kidwell claimed that Lloyds had "serious trouble" with its insurers who had been "quite dissatisfied" about the bank's security and alarm system before 1970. Lloyds had moved to other insurers who had insisted that high risk banks should be fitted with special alarm systems. But the Baker Street branch had not been rated as a high risk branch as it had a cash holding of only about £30,000.

The hearing continues.

# More direct phone links

TELEPHONE CALLS to seven more countries can now be obtained direct from the U.K. Britain is a world leader in international direct dialling, with links to 67 countries. IDD means quicker connections and cheaper calls.

The latest countries to come on the direct line yesterday were Argentina, Venezuela, the Seychelles, Dominica, Guyana, St. Lucia and St. Vincent and the Grenadines.

# Compromise

Mr. Steele said that the ICC members were still hoping for a compromise when they met Mr. Packer at Lord's last night. He told the judge that because he envisaged world series cricket "destroying" conventional cricket, he personally had been willing to go to great lengths to compromise with Mr. Packer. However, he talks broke down when Mr. Packer said his claim for exclusive television rights was non-negotiable.

Mr. Steele said the Australian board believed that if Mr. Packer's plans succeeded other private promoters would enter the game. That could only have a harmful effect.

## TV/Radio

↑ Indicates programme in black and white

**BBC 1**

6.40-7.55 a.m. Open University (UHF only). 8.25 For Schools. College in Crisis News. 1.00 Peble M.H. 1.45 How Do You Do? 2.00 You and Me. 2.14 For Schools. College. 12.45 p.m. News. 1.00 Regional News for England (except London). 3.55 Play School (As BBC 2 11.00 a.m.). 4.50 Astro-nut. 4.35 Jackanory. 4.40 Big John. Little John. 5.00 John Craven's Newsround. 5.05 Horses

**BBC 2**

6.40-7.55 a.m. Open University. 9.30 Conservative Party Conference. 11.00 Play School. 11.25 Conservative Party Conference. 1.00 p.m. Trade Union Studies. 1.20 Looking at Documentary. 2.00 Politics Now—The Loneliest Job. 2.30 Conservative Party Conference. 5.20 Open University. 7.00 News on 2 Headlines. 7.05 Tele-France. 7.30 Newsday. 8.10 Floodlit Rugby League. 9.00 Ripping. 9.30 The Water Margin. 10.15 Summer of 77. 11.05 Late News on 2. 11.15 The Old Grey Whistle Test.

## F.T. CROSSWORD PUZZLE No. 3489

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**ACROSS**

1 Out of the frying pan into the fire (4, 3, 2, 5)  
 10 Relieved and became less in demand (5)  
 11 Religious pamphlet about Abel being dole (9)  
 12 Rouse fish in the drink (5-2)  
 13 Choose soldiers with a psychological complex (7)  
 14 Daughter gets in with one dimension (5)  
 16 I have to follow an abstract to get the biscuit (9)  
 19 Mixed crisp loan for inclusion (8)  
 20 Doctor with one foot in a net (5)  
 22 Sailor taking Scottish Certificate of Education before joining ship creates an eruption (7)  
 25 Arrive holding favourite for race (7)  
 27 75 per cent sure to attack additional payments (9)  
 28 Undiluted gas from below (5)  
 29 Financially sound policeman was grounded (6-8)

**DOWN**

2 Roguishness making artist burn order (9)  
 3 Timid gentleman holding a fly (5)  
 4 Dump nothing in mountains down under (9)  
 5 Track down the start of the race (5)  
 6 Saw humour putting point to editor (8)

**SOLUTION TO PUZZLE No. 3488**

DOWN: 2. ROGUEISHNESS, 3. TROUSERS, 4. DUMP, 5. TRACK, 6. SAW, 7. HUMOUR, 8. POINT, 9. EDITOR.

## RADIO 1

6.00 a.m. As Radio 2. 7.02 Noel Edmonds. 8.00 News. 8.30 News. 9.00 News. 9.30 News. 10.00 News. 10.30 News. 11.00 News. 11.30 News. 12.00 News. 12.30 News. 1.00 News. 1.30 News. 2.00 News. 2.30 News. 3.00 News. 3.30 News. 4.00 News. 4.30 News. 5.00 News. 5.30 News. 6.00 News. 6.30 News. 7.00 News. 7.30 News. 8.00 News. 8.30 News. 9.00 News. 9.30 News. 10.00 News. 10.30 News. 11.00 News. 11.30 News. 12.00 News. 12.30 News. 1.00 News. 1.30 News. 2.00 News. 2.30 News. 3.00 News. 3.30 News. 4.00 News. 4.30 News. 5.00 News. 5.30 News. 6.00 News. 6.30 News. 7.00 News. 7.30 News. 8.00 News. 8.30 News. 9.00 News. 9.30 News. 10.00 News. 10.30 News. 11.00 News. 11.30 News. 12.00 News. 12.30 News. 1.00 News. 1.30 News. 2.00 News. 2.30 News. 3.00 News. 3.30 News. 4.00 News. 4.30 News. 5.00 News. 5.30 News. 6.00 News. 6.30 News. 7.00 News. 7.30 News. 8.00 News. 8.30 News. 9.00 News. 9.30 News. 10.00 News. 10.30 News. 11.00 News. 11.30 News. 12.00 News. 12.30 News. 1.00 News. 1.30 News. 2.00 News. 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# The Oracle

by ELIZABETH FORBES

hen in January 1933 the Italian baritone Antonio Scotti gave his farewell performance at the Metropolitan Opera, New York, after 33 seasons. He chose the role of Chim-Fen in Franco Leoni's one-act *L'Oracolo*, a part he had performed at Covent Garden in 1908 and one which he had sung more than 40 times at the Metropolitan. Scotti's partiality for the role is attested by the fact that he sang it in London when he returned to the Metropolitan last week when he was 75 years old. The opera was first performed at Covent Garden in 1908.

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is very far from a masterpiece. It turned out to be a successful choice for the new, semi-professional company. Based on a play by C. B. Ferrajol, *The Oracle* is a one-act opera in two scenes. The libretto is by Chinatown, San Francisco. Chim-Fen, the villain of the piece, runs an opium den, and indulges in child-kidnaping and murder before getting his come-uppance at the hands of Win-She, the Sage of the title.

# Beckett in Berlin

by RONALD HOLLOWAY

r the first time in his first annual, Samuel Beckett directed his own plays at the Akademie der Künste, where a member and lives during the production. This is *Krapp's Last Tape*, and it is a high-water mark in Berliner Festwochen, the Arts Festival.

Some minor changes have been made in the text, the performance goes just over 40 minutes, and there are moments for instance when Krapp turns slowly around to gaze behind him — which are minutely, solemnly executed as a key to a still-Silent Night just past midnight in the dead of winter. The smashing of the new tape in a violent, wrathful moment, bumping the lamp to set it in sway over the table to accompany, in the slow, rhythmic act, the saying words that spelled the end to a last chance for happiness long, long ago, is another. There are, to a theatregoer's delight, many such moments.

The "Trends of the Twenties" theme of the Berliner Festwochen, the East Arts Festival, resurrected via theatre productions in West Germany two forgotten plays from the exciting but troubled days of the Weimar Republic: Oedipus von Horvath's *Die Bergbahn* (The Cable Car) from the Nationaltheater in Mannheim and Ferdinand Bruckner's *Die Krankheit der Jugend* (The Malady of Youth). Both were written in 1926, took the pulse of the unemployed poor and restless youth, and introduced promising careers that were to be cut short a few years later with the rise of the Nazis to power. Horvath and Bruckner were forced to emigrate, Horvath only getting as far as Paris, where he was tragically killed when lightning struck a tree he was standing

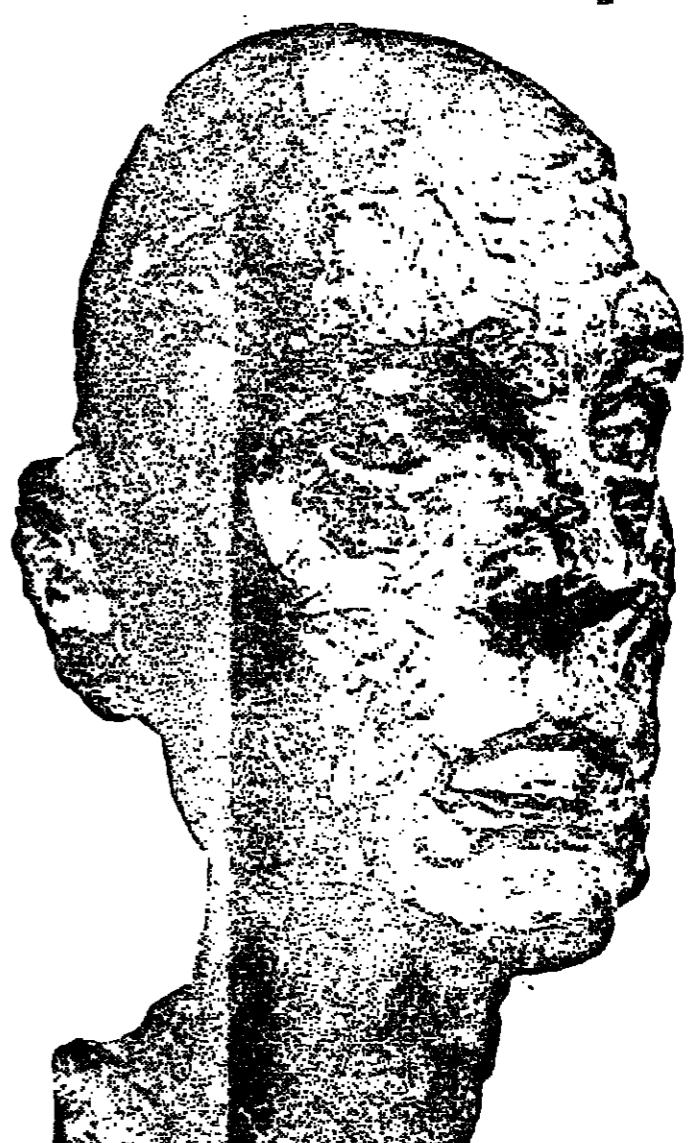
# Giacometti and Godwin

by WILLIAM PACKER

An important exhibition has lately opened in London, important not in its scale, which is rather small, nor even in its novelty, for the actual work is hardly unfamiliar, but simply in the opportunity it affords us to get close to the work of a great artist, and in helpful circumstances. Those who frequent the private galleries know this particular treat to be far from rare, with old and modern masters alike, but they are not over-much, and the point bears repetition. Great art speaks to any one of us personally or not at all; and though the museum is now the only place in which most people would expect to find it, it is never the best. To live with a masterpiece is the great privilege, and usually beyond our reach; and yet, in certain small and quiet semi-public rooms, we can occasionally come to know something of what it might mean.

Giacometti provides a nice example. He is well represented in all the major public collections as a matter of course, and Tate has a very good selection of his work. Moreover, since it all falls within a fairly narrow range, surprises are not common; we know very well what to expect. But the work is also fragile, and we must keep our distance. The kind of intimate scrutiny that invites is seldom possible in museum conditions. The essential paradox of being in popular access to art, after all, is that the interest thus fed should be insulated from actual experience.

We have little choice in the matter but to go to the source (which is not to say that we should not also recognise and regret the true nature of our situation). So to come upon 13 major pieces by Giacometti from the last two decades of his life, all together in two small upper rooms in Bond Street, is quite as much a shock as it is a pleasure.



Giacometti: Buste d'Elvie Istar, 1965

service in recording it, and in tracing the tracks by which the herds were moved through the wilderness and over the border. Miss Godwin makes this remote and beautiful country visible to us in a magnificent series of images. The grandeur of the scene is a commonplace of the guide book, at once obvious and sentimental. In reality it is the very devil to manage, in its subtlety and simplicity. Her achievement is to do just this with a disciplined, unaffected directness, and a sure eye for composition and emphasis. She accommodates detail with distance.

Prints of Miss Godwin's photographs are still available through Anthony Stokes Ltd.

# Elizabeth Hall

## Mozart violin sonatas

The recital that included Mozart's last and best three sonatas for violin and piano on Sunday night ought to have been a feast; and indeed the menu was impeccable. But it would be risking indigestion to continue the metaphor, for much of what we heard was faint, bloodless and limp to an extraordinary degree. The pianist Christoph Eschenbach, a respected musician, has lately been cultivating the lower extremes of dynamics; against a sturdy orchestra in a concerto that may have a certain pathetic force, but in Mozart's vigorously elegant duos it sounded grotesque.

Under Eschenbach's ectoplasmic touch notes occasionally refused to sound at all, and the bass line often shrank away into inaudibility. In slow movements as well as much of his ornamentation were vague and indistinct, and the former tended to suffer from indeterminate pulses. The violinist Yoon-Uck Kim was liable to race in rapid passages too much for the comfort of

DAVID MURRAY

# The Good Woman of Setzuan

by B. A. YOUNG



Jonathan Kent and Janet Suzman

she holds the stage most of the evening. I don't mean to be unkind when I say that the effect is like a live actress among Muppets, for Mr. Hack must have intended these performances to be so artificial. It is an artificial world that he takes us to, doors and windows and even the moon are held up to us as required by a Punch and Judy show. Less complex people, like Mr. Shu Fu the rich barber and Mrs. Mitsu the landlady, are easier to disentangle from the general brouhaha. Constantin de Goguel and Mary Sheen enter as if Miss Sheen touches an occasional spring of pathos too in her other part as the airman's mother.

I do not myself find the play very attractive. Its theme of "Who da slanders whose prospect?" was more poetically dealt with by Gerard Manley Hopkins; and if Hopkins's solution, that to God all things are possible, is less acceptable than Brecht's, that the world is a terrible, cold place in which there is no way of living in it, it is more subtle in his approach to it. Brecht hammers at us as if we were a lot of backward children, and if we don't understand what he says when he says it in dialogue, he repeats it in song (some pleasant sounds conferred by Stephen Oliver).

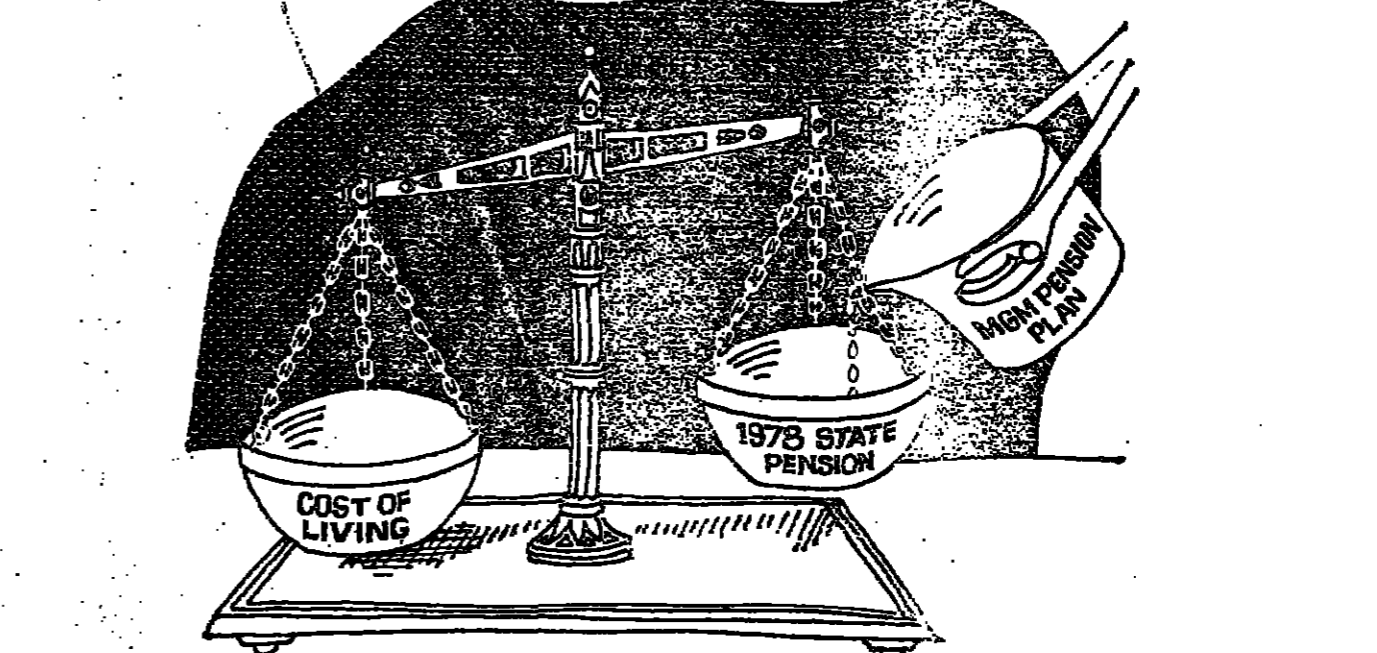
# St. John's, Smith Square

## Aeolian Quartet

The 150th anniversary of Schubert's death is to be hand-somely celebrated in the BBC Lanchôme Concerts this season. His last eight string quartets will be heard, as well as the last four piano sonatas and *Schubert's*—and these were forgotten! all the mature quartet music of the Second Viennese School too. Appropriately, the most gem-like of British quartets, the Aeolian, opened the series yesterday with the great Schubert A minor, D. 804, and Webern's op. 28 Quartet; with the graceful little Fugue from Mendelssohn's posthumous op. 81 as hors d'oeuvre.

The mellow playing of the Aeolian removed any suggestion of academic exercise from the Mendelssohn, and made warm, unselfish sense of the Webern too. Performances of Webern's op. 28 often seem to aim at the level of glassy abstraction at which the unsympathetic may suppose the composer to have conceived the work; the Aeolian team stressed rather the amiable give-and-take of its dialogue. They might have marked its rhythms more sharply still—range for moments of plunging rhetoric, and they need to be punctuated hard—but the effect was comfortable, not tentative.

DAVID MURRAY



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EUROPEAN NEWS

U.K. blocks EEC textile talks

BY GUY DE JONQUERES AND RHYD DAVID

THE EUROPEAN Commission intends to open talks with leading textile supplier countries here tomorrow as planned, even though the British Government was this evening still blocking final approval of its negotiating mandate.

Permanent national representatives of the Nine, meeting in Brussels, have been unable so far to overcome British reservations about the exact terms of the mandate and decided late this afternoon to suspend their discussions to permit the British delegation to seek fresh instructions from London.

A Commission spokesman said that he hoped the difficulties could be resolved quickly. He insisted, however, that talks with the supplier countries would in any case start tomorrow, though in the absence of a firm mandate there could only be consultations and not full negotiations.

In the Commission view, the approval by the EEC Council of Ministers of its outline mandate last month has already given it the necessary political authority to seek agreements with the suppliers, and it would be unthinkable for any EEC Government to erect major obstacles to

the start of proper negotiations at this stage. Delegates from Hong Kong, Brazil, India, Singapore, Thailand and Guatemala have arrived in Brussels, and this evening attended a champagne reception to mark the start of the talks.

The specific nature of the British reservations was not entirely clear. In Brussels, officials said that they were essentially concerned with the levels of 8 per cent. annually in textile cotton yarn exports which the EEC would offer the supplier countries, but official sources in London suggested that they went further and related to the over-

all approach proposed by the Commission. There have been indications that the British Government believes that the Commission proposed mandate is not precise enough, and that the flexibility which it envisages would make it difficult to attain the EEC's wide range of objectives in the phase immediately ahead. These are an open-ended growth rate of no more than 8 per cent. annually in textile imports, with a much lower growth rate for some sensitive products and for some countries which have already built up a large export trade with the EEC.

NATO AND TURKEY

Defending the oil route

BY DAVID BUCHAN, RECENTLY IN TURKEY

EAST AND a long way south of Moscow, NATO borders directly on the Soviet Union, in the remote mountainous plateau of Eastern Turkey. The only stretch of the 500 kilometre Russian-Turkish border to which the Turkish army cares to take the rare visitors it allows is that part formed by the Arpacay River. Here the Turks can soothe Russian susceptibilities by maintaining the fiction that visitors come to see two deserted and desecrated Byzantine churches that stand just across the 100 yard river gorge from the Russian line with its panoply of watchtowers, minefields, and electric fences.

Incidents on the border are not common, and mostly involve straying cattle and goats—though two Russian lieutenants did defect last year across to Turkey. In fact there is some co-operation: the Turks and Russians are jointly building a 100 sq. km. hydroelectric dam on the Arpacay, which is due to be finished next year. And the weary traveller from Erzurum, base town for Turkey's Third Army, to the border could be forgiven for wondering why the Russians should ever want to seize such thankless territory, where winter temperatures can drop to -30°C.

In answer Turkish commanders reiterate the litany of 17 Russo-Turkish wars in the 200 years in this area. Stalin's claims on a large slice of Eastern Turkey after the Second World War, and the ominous fact that the Russians kept 12 divisions in the southern Caucasus and another six further north. But more relevant to NATO commanders is the route to the Middle East oil fields that Eastern Turkey would form for the Russians.

The recent Central Intelligence Agency report on world oil seems to show the Russians have smaller oil reserves than previously thought, and the NATO view is that in wartime the Russians would need quick access to more oil. The mountains of Eastern Turkey run east-west (conveniently for the Russians) and for all their ruggedness might prove easier going than those of northern Iran.

All Turkish officers and NCO's are required to spend three years of their careers in Eastern Turkey. "East duty" is not popular, compared with the comforts of Istanbul and Ankara. But the Turkish Third Army claims it can meet on its own any possible Russian thrust along the plains near Karz and to the south near Mount Ararat (and indeed, it could count only very few NATO reinforcements). Certainly the discipline of the army is impressive—so is its training. The embargo, imposed by Congress because of the Turkish invasion of Cyprus, is not total. Turkey has been allowed this year and last foreign military sales credits of \$125m., and President Carter proposes to increase that to \$175m. in 1978. But these figures constitute an absolute ceiling for total Turkish arms acquisitions from the U.S., so that even if Turkey had all the money in the Middle East to buy more, it could not do so.

Turkish pride rules out detailed admissions of specific arms deficiencies. The air force has obviously been hardest hit, but officers at NATO headquarters at Izmir on the Turkish Aegean coast say Turkish needs "extend across the whole range of military hardware." Even though Turkey, by NATO esti-

mates, spends 6.8 per cent. of GNP on defence, its arms industry is still infant and "barely a dent is being made in the need for modernisation." Turkey is far from ready to leave NATO, though Turkish commanders warn that one day, in pique, this might happen. The immediate threat is the problem of the U.S. bases. Officially, all 26 U.S. bases or installations are closed, except for "NATO

as dangerous as the reality, and there remain many political disputes in NATO's southern region, stretching 4,000 kilometres from Gibraltar to eastern Turkey, that could be exploited by the Russians. Rappily for NATO, Russia's principal means of exploiting these weaknesses now looks less awesome than it did a few years ago. The Russian naval presence in the Mediterranean has never since approached the peak of 97 ships deployed in the 1973

Middle East war, and now averages about 50-55 ships, half of them combat ships. This is only slightly greater than the numerical strength of the U.S. Sixth Fleet alone. But numbers was never the whole game anyway. Since being pushed out of Egypt, the Russian navy has to do all its refuelling and repairs in international waters, where the Sixth Fleet commanders claim it is a "sitting duck." None of the storage or repair facilities that the Russians currently have in Syria, Algeria or Yugoslavia (where the port of Tivat does naval repairs for all comers, and not just the Russians) compared with those they had in Egypt. Then they also had Egyptian air bases: now all flights have to be made from the Soviet Union.

Nor is the Sixth Fleet yet worried about the new Kiev carrier class that takes helicopters and short or vertical take-off aircraft. The first of this class, the Kiev itself, entered the Mediterranean this year, passed on to the Atlantic and has not yet returned. The Russian Black Sea yards are now completing or planning three more "Kievs." But the captain of the Saratoga, one of the two U.S. Mediterranean carriers, says "it will be eight to 10 years before they worry me at the moment, their aircraft burn holes in the deck."

The other military theatre that concerns the Ankara general staff is Turkish Thrace, that tank country from the Bulgarian border to the Bosphorus. Guarded by this is its First Army which is given priority in equipment and training. In this area both the Turks and Greeks are both under threat from the Warsaw Pact: in some areas of Greek Thrace, there is only 20 km. between Bulgaria and valuable Greek ports on the Aegean. But a common defence is bedevilled by the Greek-Turkish quarrel. General Robert McAlister, the U.S. general at Naples in charge of NATO's southern land command, says both the Greeks and Turks are facing the "proper direction," north towards the Warsaw Pact. But there is some suspicion that the armies there spend more of their time worrying about threats from East and West.

Last week a NATO exercise, ended with a landing of 5,000 U.S. marines and other NATO troops at Saros Bay near Gallipoli in Turkish Thrace. The exercise started at Gibraltar, simulated an escorted convoy under attack, and was designed to show that NATO could command the whole length of the Mediterranean in wartime. But the important fact was that Greece took part for the first time in a NATO exercise since it left the military side of the Alliance in 1974. Of course, Greece has never left in doubt which side it will be on in a general war. Nor is the split between Turkey and the U.S. by any means complete. But the appearance of weakness can

Ankara looks for credit from EIB

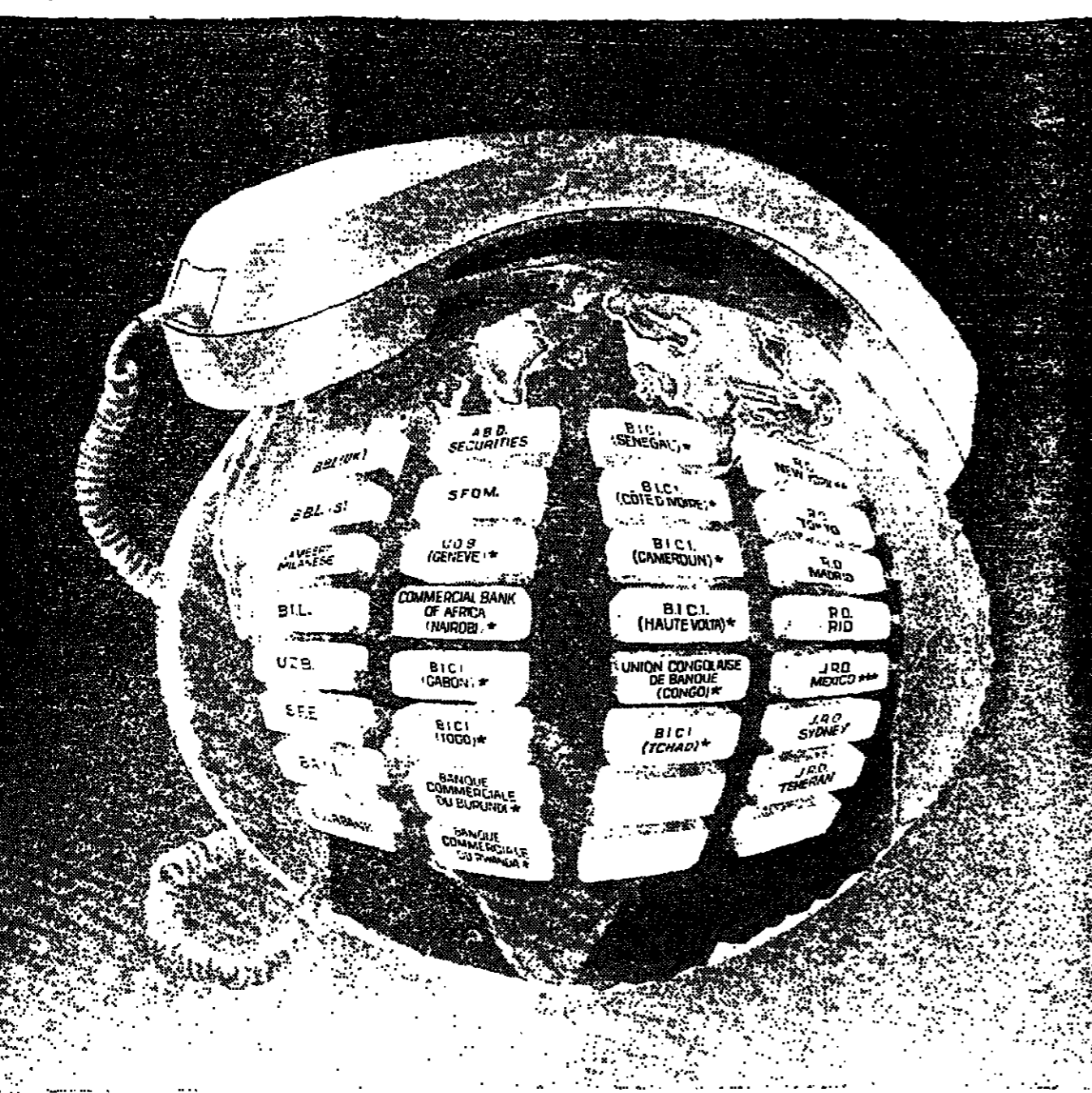
ANKARA, Oct. 10. A TURKISH attempt to persuade the European Investment Bank to give Turkey a credit of \$500 million today as did what the Minister of Energy, Mr. Kemal Inan, described as an attempt to "bring back some dynamism to the practically dead relationship between Turkey and the EEC." Mr. Inan left Ankara today in five days of talks with officials of the bank and the EEC Commission. He will also see Mr. Gaston Thorn, the Luxembourg Premier.

A former chairman of the EC-Turkish advisory committee, Mr. Inan said that Turkey wished to update the protocol signed between Turkey and the Community in 1970. He admitted that Turkey was "partially guilty" for a delay in that it had failed to work out its demands from complaining at the failure to grant freedom of movement for Turkish workers, including those already in the Community. Mr. Inan stressed the need for reviving the agricultural preference granted Turkey for protection of its infant industries. The general election in Turkey this year, and disagreements within the present Right-wing coalition Government over a value of association with the EEC, have prevented early attempts to take the association forward. Mr. Inan said that there was a question of Turkey applying for full EEC membership "for a moment."

Greek party favours return to NATO

ATHENS, Oct. 10. THE National Front Party, which will contest the forthcoming Greek elections to the Right, favours a return to NATO and close relations with the United States. The National Front is headed by Mr. Stefanos Stefanopoulos, 78, who served as Prime Minister in 1966-67. It is trying to attract dissatisfied or disillusioned right-wing voters and pro-royalists, as well as sympathisers of the fallen junta.

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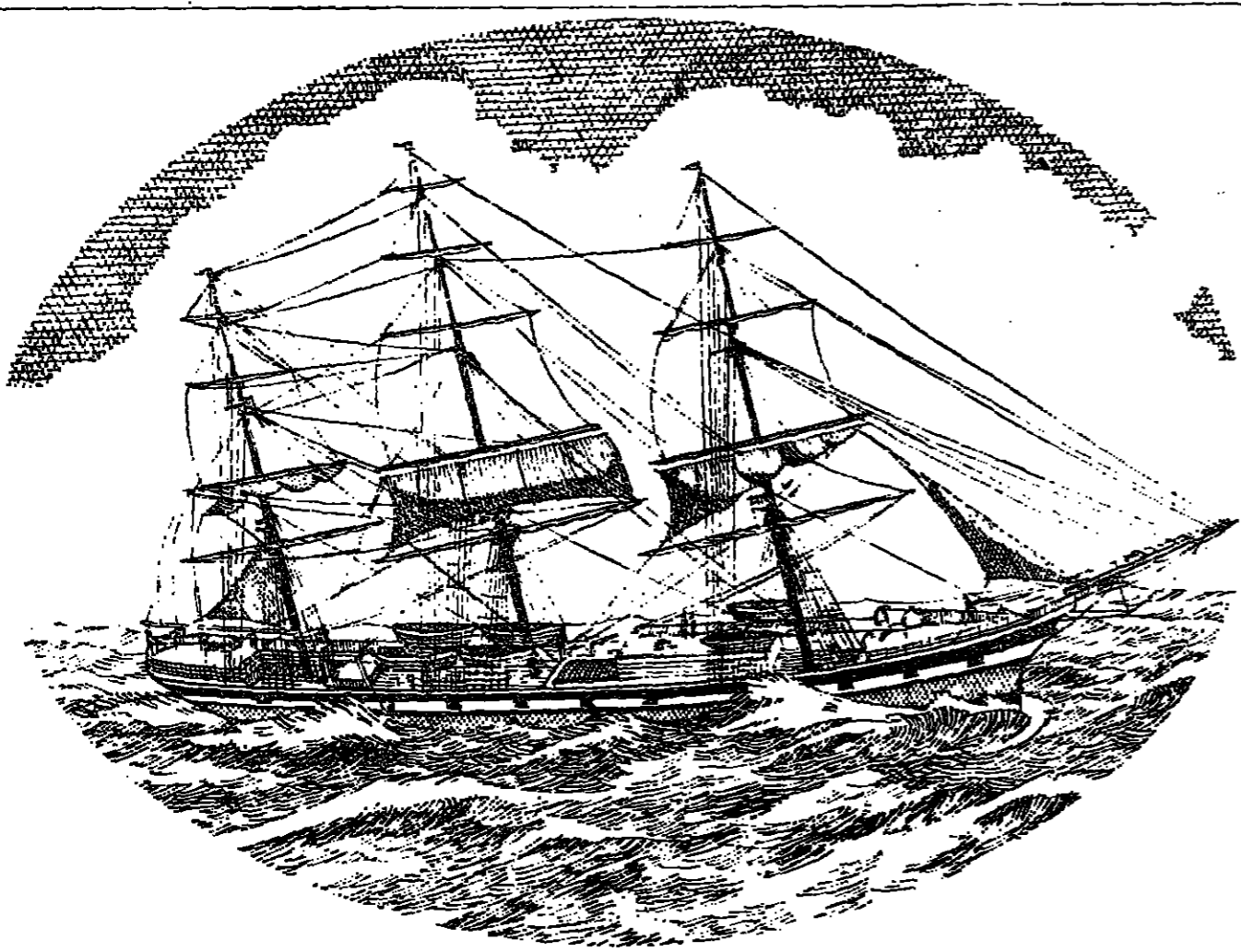
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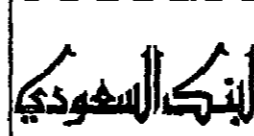


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EUROPEAN NEWS

Decline in popularity of French Left after quarrel

BY ROBERT MAUTHNER PARIS, Oct. 10. A BREAKDOWN at the end of the month of the negotiations between the three parties of the French Left has already produced a noticeable decline in its popularity, according to a latest public opinion poll published in the Paris morning paper Le Figaro.

Pensions and welfare key to Italian cuts

BY DOMINICK J. COYLE ROME, Oct. 10. MODIFICATIONS to one pension or another, or a combination of both, may be decided on later this week by the Italian Government in an effort to hold the total spending for the year within limits already agreed with the International Monetary Fund.

Bonn thinks EEC budget compromise still possible

BY OUR OWN CORRESPONDENT BONN, Oct. 10. SENIOR WEST GERMAN officials believe that a compromise may still be possible over the key issue of Britain's contribution to the EEC budget, which would involve mutual concessions over the amount Britain should pay, without any retreat on the basic principles involved.

Government, opposition in Spain agree to co-operate

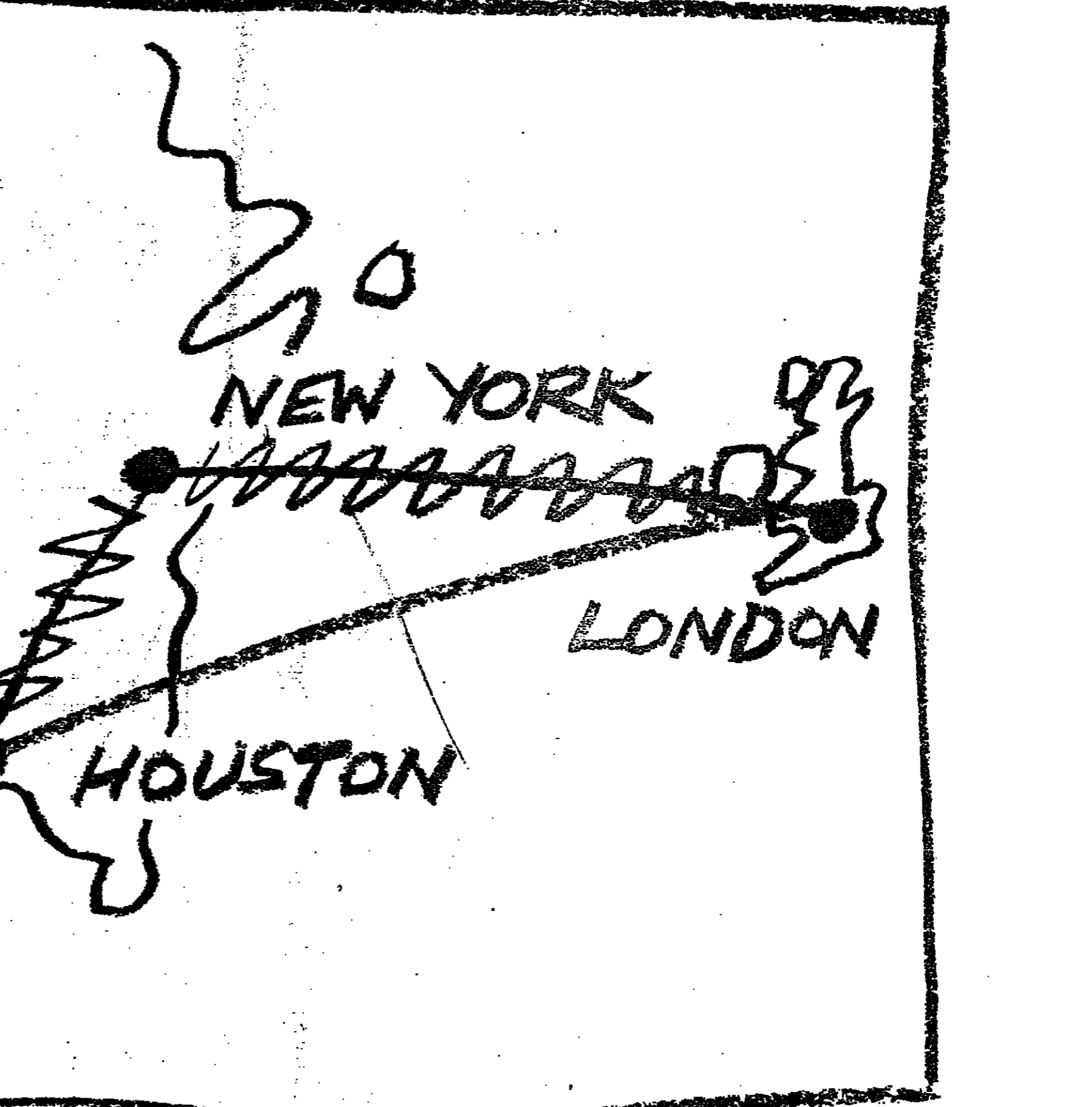
BY DIANA SMITH MADRID, Oct. 10. THE SPANISH road to democracy has taken a new and important turning as the result of a co-operation pact achieved between the cabinet and opposition leaders after 20 hours of talks at the week-end.

Machine tool prediction

MUNICH, Oct. 10. IMPORTANT structural changes can be expected in the slowly growing West German machine tool industry in the future, the IFO economic research institute said.

Row over flood measures as rains inundate north

BY PAUL BETTS ROME, Oct. 10. RAIN continued to fall over northern Italy, which has been busily inundated by floods from the past 48 hours, which killed more than 15 people.



Icelandic strike threat

BY JON H. MAGNUSSON REYKJAVIK, Oct. 10. SEEMS almost certain that servants in Iceland will go on strike for the first time at night, to-night, while the Government is making a last-minute attempt to settle the wage dispute.

Flying any other airline to Houston is a waste of time.

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AMERICAN NEWS

U.S. considers 1978 tax cut to sustain growth

BY DAVID BELL WASHINGTON, Oct. 10. PRESIDENT CARTER'S economic advisers are now working on a proposed tax cut to be included in next year's budget...

Peru will allow sol to float

Peru's military government yesterday closed the foreign exchange market prior to announcing a free exchange market for the sol, the national currency...

Nicki Kelly examines the development of Nassau from tax haven into international financial centre Why bankers find it better in the Bahamas

"IT'S BETTER in the Bahamas," says this year's Ministry of Tourism slogan. Most of the financial institutions doing business here would agree...

Gulf dockers defiant

DOCKERS at New Orleans, the second largest port in the U.S., have voted to maintain their defiance of a union instruction to limit strike action to container shipping...

Postal optimism

The U.S. postal service, experiencing an unexpected rise in mail volume, is predicting a surplus in fiscal 1978 for the first time since the deficit-plagued agency was formed in 1971...

GM sales rise likely

General Motors expects strong fourth quarter car and truck sales in the U.S. and will increase its production schedules for the quarter considerably from a year ago...

Natural gas supplies

A Senate Subcommittee report has warned that the new Department of Energy has overestimated its ability to handle another natural gas shortage...

Pause that refreshes

A U.S. doctor has said that substances to speed the metabolism of alcohol to get it out of the system faster have proved a failure...

ANTARCTIC TREATY CONFERENCE Sovereignty issue remains unsolved

BY PAUL CHEESRIGHT A DEFINITIVE conservation régime for fisheries in the oceans surrounding Antarctica should be concluded by the end of next year...

Aerospace strike spreads to Lockheed plants

By Stewart Fleming NEW YORK, Oct. 10. THE STRIKE over a new contract in the U.S. aerospace industry spread today with an announcement that members of the International Association of Machinists and Aerospace Workers had walked out of three Lockheed plants in California...

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OVERSEAS NEWS

Confusion remains over PLO policy for Geneva talks

PALESTINIAN attitudes towards the conditions for their inclusion in Geneva peace talks continue to fluctuate. From Beirut came reports yesterday of a hardening of positions and the insistence that the Palestine Liberation Organisation (PLO) itself would have to be represented. This has been rejected by Israel. However, the latest edition of Time magazine reported that the PLO would accept a reduced role.

Somalis in major drive on Dire Dawa

SOMALI guerrillas have launched a major drive to capture the mountainous area of eastern Ethiopia, informed sources said today, adding that the battle is likely to decide the outcome of the three-month-old war in the horn of Africa.

Major international bid to stop oil for Rhodesia

A MAJOR international effort to stem the flow of oil to Rhodesia is to be mounted in the next few months, beginning with a mission of African states to all oil producing countries and including the possibility of Commonwealth-backed UN mandatory sanctions on oil supplies to South Africa.

Curbs on multinational groups 'this winter'

INDIA WILL soon restrict the operations of multinational corporations, Industry Minister George Fernandes said today. The Government will formulate, by the end of this month, a new industrial policy setting out the roles of foreign and Indian investors.

Janata and Congress disunity over Gandhi

THE TRAUMATIC events of the past week, culminating in the arrest and release of Mrs. Indira Gandhi, India's former prime minister, have created disunity in both the ruling Janata Party and the opposition Congress Party. Leaders of both now face criticism by their rank and file.

Palestinians 'building up' troop strength in Lebanon

THE PALESTINIAN forces in south Lebanon have increased their personnel from 6,000, at the time of the cease-fire negotiated two weeks ago by the UN, to 10,000 men. They have also brought in additional arms and have taken new positions closer to the Christian enclaves, according to Maj. Saad Haddad, the commander of the Christian forces.

Australian payments

CANBERRA, Oct. 10. THE FIRST stages of the Australian Government's foreign borrowing programme contributed to a sharp drop in Australia's balance of payments deficit as measured by net official monetary movements, to \$A46m. (\$30m.) in September from \$A382m. in August.

Lebanon workforce depleted

LEBANON'S civil war reduced the Nation's workforce, lowered already-shipping educational standards and has threatened the country with economic and social backwardness, according to the first comprehensive study on the effects of the 19-month conflict.

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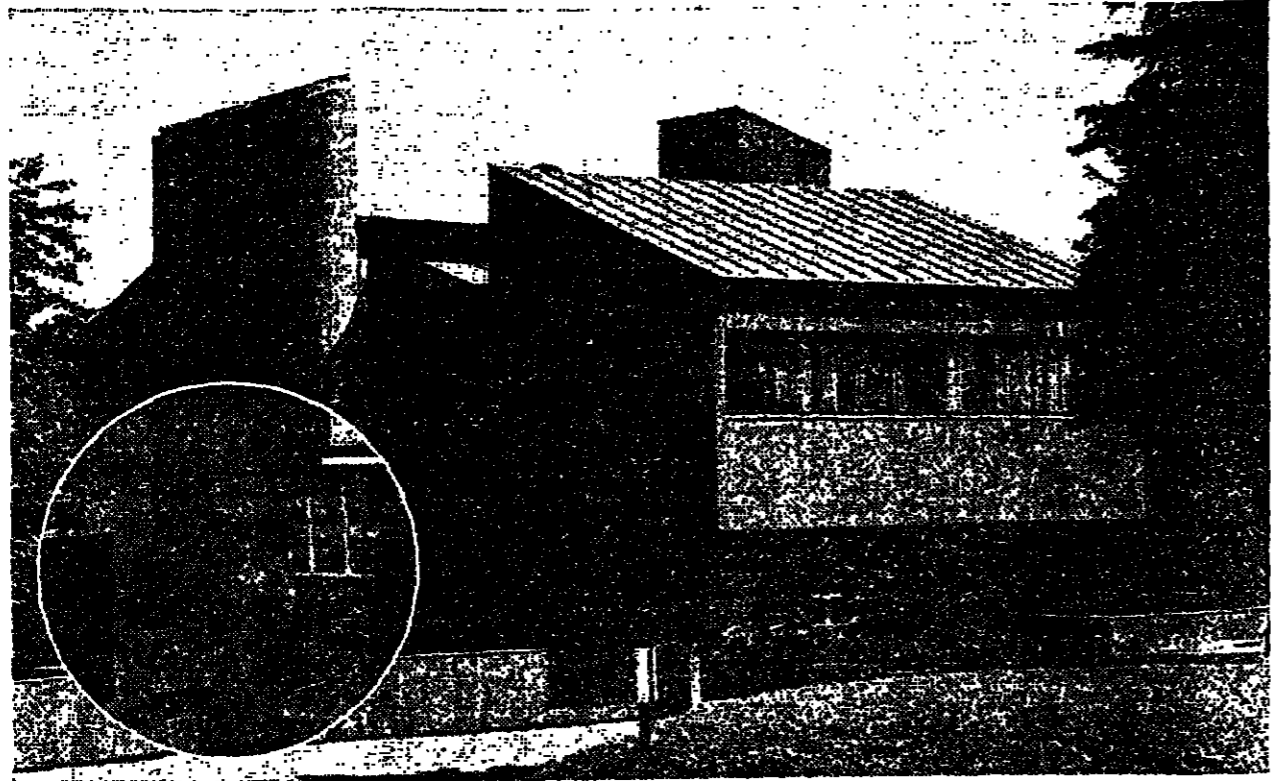
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purpose of seeing how we could be of better service to European consumers with products of quality, taste, and economy. In order to exchange views and talks with people engaged in wood trade, construction, jour-

nalism, and other business fields related, the Korean Plywood Mission cordially invites you to contact: Korea Trade Center London Office: (01)240-3192/3 Amsterdam Office: 020-73055/6 Brussel Office: 218-5132/5499



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## WORLD TRADE NEWS

# Gloomy forecasts for world steel

BY ROY HODSON

ROME, Oct. 10

THE WESTERN world's real demand for steel this year will fall short of the industry's expectations by almost one-tenth. Steel output for the year is not expected to exceed the 1976 level of 454m tonnes.

The International Iron and Steel Institute believes that output could even decline to several million tonnes below that estimate.

The deep crisis facing the world steel industry was reflected in gloomy forecasts by leading steel makers during key speeches at the opening of the ISI conference today.

Mr. Eishiro Saito, President of the Nippon Steel Corporation and the new ISI president, said pessimism was dominating wide-spread because no significant improvement in the balance between supply and demand of world steel was in sight.

He felt that in the longer term steel demand was unlikely to grow at the rate it had once shown, and earlier projections for world demand needed to be lowered.

The Japanese steel industry was in "a most depressed state." Production this year was expected to decline to about 103m tonnes against former

levels of about 120m tonnes, while the companies were desperately trying to bring down production costs in an attempt to regain their earnings power.

Mr. Alberto Capanna, chairman of Finisider, the Italian State-controlled steel company, welcomed the 330 delegates with the words: "A deep crisis has struck our industry, and he could not see 'any signs of recovery'."

Mr. Charles Baker, the Secretary-General of ISI, disclosed a forecast that "World consumption of steel will not be more than 490m tonnes this year—9 per cent below previous estimates."

The ISI does not expect any significant recovery next year either. Overall growth of steel consumption in 1978 could reach 470m tonnes, a 5 per cent increase on this year.

But it "will be a very modest increase," said Mr. Baker. The ISI has suggested a longer-term forecast of steel production and demand in the mid-1980s after the present slump.

The institute concludes that steel plants either in the pipeline or under way or in the planning stages could provide a Western

world steel-making capacity of 700m tonnes by 1985, compared with the current capacity of 625m tonnes, indicating an annual expansion of 15 per cent.

Mr. Baker told the steel-makers that such a small annual increase to steel making plant would not seem to be enough to cover world steel needs in the 1980s.

The impact of the present recession and the uncertain outlook on investment activity could once again result in an imbalance between demand for and supply of steel, thus increasing the amplitude of the steel cycle.

A country-by-country analysis of the probable development of steel-making to 1985 has been made by the institute.

The European Community has been cutting back on steel projects and is expected to raise capacity by only 9m tonnes. The ISI says that Britain is contributing the biggest share of new European steel-making plants.

Among other European nations, the principal expansions will be in Turkey, Yugoslavia and Spain.

In North America, a net expansion of 13m tonnes is expected—less than half systems forecasts—in Canada and the U.S., while Latin America is expected to

carry on with big steel industry development. Brazil will be the major contributor, with important projects also in Venezuela, Mexico, Argentina, Chile and Peru.

A large expansion program in Africa is expected, compatible with the present level of output. He plans are under way in the Middle East to increase steel making ten times by the mid-1980s.

The Far East is expected to install 44m tonnes of new steel-making plants by the mid-80s with expansions in India, Korea, Taiwan and the Philippines. Japan is expected to expand at a lower rate than previously forecast.

The crisis in the European American steel industries is accentuated by the loss of home market shares to imported steel. A further factor identified by ISI is the price erosion accompanying aggressive importing.

Mr. Baker summed up the dilemma for world steel: "It is the international industry preserve its viability and at the same time maintain a liberal policy of free access to domestic markets."

The ISI was fully committed to both objectives, he said.

## Italian dumping nears solution

BY PAUL BETTS

ROME, Oct. 10

FOLLOWING talks here between the EEC Steel Commissioner, Viscount Etienne Davignon, and a number of producers of reinforced steel bars from the north Italian region of Brescia, there are now signs that the controversy involving alleged Italian dumping charges within the EEC may be resolved.

After a meeting over the weekend with the Brescia producers, Viscount Davignon, currently in Rome for the world steel conference, said that although no agreement as such was reached, the basis of an eventual accord had been laid.

The Italian producers claim that the EEC countries represent about 40 per cent of their total sales. They add that current EEC production quotas for Italy are far too low for the sector's current capacity and prices are too low to be profitable.

In the Brescia region there are some 80 units producing more than 3.3m tonnes a year of reinforced steel bars employing about 13,000 people. The EEC authorities have so far had some 45 inquiries concerning alleged infringement of EEC regulations by a number of the Brescia producers.

## Iran order lifts hopes for Airbus

BY DAVID CURRY

PARIS, Oct. 10

THE DECISION of the Iranian government to purchase a fleet of up to ten Airbus planes (the Franco-German aircraft) is at last beginning to attract substantial orders rather than being sold in experimental job lots.

With SAS also discussing the acquisition of a dozen or so aircraft the Airbus Industrie consortium can now have hopes both of coming within a reasonable distance of break-even point on the programme and of persuading

Announcing the Airbus deal to Iran, Gen. Ali Moshirzadeh, head of Iranair, stressed that the airline still intends to purchase two Anglo-French Concorde. His remarks follow recent speculation that Iranair was about to cancel a preliminary purchase agreement reached some months ago.

The French and German governments to make available funds to diversify the Airbus range. The shape of the Iranian order is still not clear. "All we know is that we will deliver the two leased aircraft in March next year. How many of the aircraft Iran will buy, will be firm orders, and how many options we do not know," a company spokesman said.

The biggest operators at present are Air France, with 18 orders and options, and Lufthansa with 13. The German airline is known to be interested in a shorter version of the aircraft—the B10—to seat 200 rather than the 250 of the B4 version carries.

The Iranian airline could become the first purchaser to order the aircraft with Pratt and Whitney JDB engines rather than General Electric since it is a big Boeing operator, but the two aircraft it is leasing will be operated by General Electric units.

Export credit for Philippines

Financial Times Reporter

Morgan Grenfell in consultation with Morgan Grenfell (Asia) has arranged the total financing amounting to about \$250m for the construction of a new cement mill at Jolo, Sulu, in the Philippines to be established by Sul-Aero Industrial Development Corp.

The total finance package consists of two loans. The first is a \$150m export credit facility supported by the Export Credits Guarantee Department of the United Kingdom which will finance a \$4m contract awarded by Sul-Aero to Siam Iron Works who will be responsible for the design, supply, supervision and commissioning of the mill.

The loan is the first dollar-denominated export credit facility to be made to the Philippines. It is also the first dollar-denominated export credit facility to be made to the Philippines under which the buyer makes a payment to the supplier and the bank reimburses the buyer against a receipt from the supplier.

## Jenkins to see Fukuda at Tokyo trade talks

BY DOUGLAS RAMSEY

TOKYO, Oct. 10

JAPANESE OFFICIALS expect Mr. Jenkins to make tough noises about Japanese exports when he visits Tokyo this week, arriving tomorrow but insiders reckon the EEC Commission President is unlikely to repeat the sharp attack on Japan of the sort delivered by Mr. Edmund Dell, the British Trade Minister, last spring.

In fact, the details of trade disputes will probably take second place to the less technical problem of Japan's overall trade imbalance with the Community. EEC sources estimate that the deficit on trade with Japan will be \$5bn. in 1977, compared with \$3.7bn. last year.

Mr. Jenkins will also spend much of his time talking about Europe's respective positions at the multilateral trade negotiations (MTN) in Geneva which began life as the Tokyo Round of trade talks in September 1973.

During his stay in Tokyo, Mr. Jenkins will see Prime Minister Mr. Takeo Fukuda and his Foreign Minister, Mr. Ichiro Hatoyama, for a one-hour session on Wednesday before an official dinner.

Thus, it is unlikely that Mr. Jenkins will have much chance to get down to detailed discussions with Mr. Fukuda on this occasion.

On Sunday the leading Japanese business daily, Nihon Keizai, carried an article on Mr. Jenkins's visit suggesting that the EEC Commission President would ask Japan to set up a joint working party on import promotion.

But sources close to the EEC delegation in Tokyo insist that no such request has been formulated, although Mr. Jenkins and Japanese officials may decide during his visit to launch a joint committee to monitor balance-of-payments statistics of the two sides.

## Brazil car production down 8%

By Our Own Correspondent

RIO DE JANEIRO, Oct. 10

THIS year's recession in the Brazilian motor industry, the first in its 30-year history, is continuing unabated with production in the first nine months down 8 per cent on 1976 and 9.8 per cent down on 1977.

Although some improvement is expected with the introduction of up-dated models by Ford and General Motors, September's figures showed a particularly sharp setback. Production was 18 per cent down to 63,982 units and sales slipped 18 per cent, from September last year to 64,292 units.

In the nine months from January to September, output decreased to 667,206 from 738,362 in the same period in 1976, according to the National Association of Motor Vehicle Manufacturers. Sales totalled 657,406 units against 729,086. Of this year's total, 48,800 vehicles were exported.

The recession means that the Brazilian industry is far from reaching its hoped for 1975 goal of 1m vehicles a year.

## U.S. investment sought for Northern Ireland

BY GILES MERRITT

DUBLIN, Oct. 10

MR. ROY MASON, the Northern Ireland Secretary, arrived in the U.S. today to start a 10-day investment-seeking tour.

Accompanied by a small group of specialist officials from Belfast, who include Dr. George Quayle, author of a probing report on the Province's economic decline, Mr. Mason begins his visit in New York and will travel out to the west coast before finishing in Washington, where he will have talks with members of the Carter Administration.

Mr. Mason's departure coincided with the arrival back in Dublin from a similar mission in the U.S. of the Republic's Industry and Commerce Minister, Mr. Desmond O'Malley, and his announcement of 250 new jobs.

Seven U.S. corporations have decided to either expand existing plants in Ireland or set up new operations. The Dublin Government has avoided putting a figure on the new investments, as a proportion of the costs will be refunded by the Republic's

Industrial Development Authority but observers are already speculating that they may be worth over £20m.

Among the projects announced by Mr. O'Malley are a major expansion by the Blue Bell manufacturers of Wranglen jeans in which the North Carolina-based clothing manufacturer will be raising its Irish workforce from 500 to 1,300.

New manufacturing operations are to be established by Eaton Allen of Brooklyn, New York which is to employ almost 400 people at a new inks and type writer materials factory in Co. Offaly.

Masik-Kure Products of Norwich, Connecticut, is to establish a pharmaceuticals plant providing 150 jobs in Co. Cork; and Avint Corporation of Pennsylvania will next year open a 1m Dublin operation in manufacturing microwave data terminal transmission units.

## ROAD TRANSPORT

# Austria takes risk over transit tax

BY PAUL LENDVAI IN VIENNA

THE projected transit tax on foreign and Austrian road hauliers has sparked off here major public controversies which the domestic road haulage industry urging the Government to reconsider its plans.

The Austrian Government officially gave notice of its intention to introduce a transit tax as of July 1, 1978, which should yield Sch.2bn. (about \$69m.) by next year and Sch.4bn. to a full year.

Foreign road hauliers are expected to be subjected to a transit tax of "at least" 50 groschen (or about 2p) per ton kilometre. Domestic road hauliers would have to pay a lump sum of Sch.1,000 per ton of load capacity per annum. All lorries over 5 tons will be subjected to the new levy.

The details of the new tax have not yet been revealed and the draft Bill has not even been submitted to the usual process under which such institutions as the Chambers of Economy,

Labour and Farmers deliver expert opinions before the draft stage is completed.

However, the plan is an important part of the austere measures just proposed by the Government to cope with the strains of external payments and to reduce the budget deficit.

The movement of freight through Austria would of course be severely affected by the projected transit tax. Transit freight traffic by road last year (excluding Austrian exports and imports) totalled some 12.6m tons with over 10m tons representing north-south traffic.

Transit traffic originating from Britain last year reached 131,000 tons. These figures however vastly underestimate the real volume of traffic.

The Austrian freight agents, and also the Federal Chamber of Economy and the Foreign Ministry are strongly critical of the projected regulations. The point is that a retaliation by neighbouring or other European countries would harm the

domestic industry more than the Austria tax the foreign freight forwarding agents.

Operating from a landlocked central European country, some 18,000 lorries of 700 domestic road hauliers have to use international routes for two-thirds of their traffic.

It is reckoned that retaliation by foreign countries would in the final analysis add between Sch.1.5bn. to Sch.3bn. to Austria's balance of payments deficit.

Advocates of the measures point out that road traffic by foreign lorries has been doubling every four or five years and that the lorry from the transit tax would not only provide additional revenue for the Treasury but would also accelerate the badly needed shift from road to rail and to cover part of the infrastructure investments.

The domestic environment and the Chamber of Economy are however other major factors and less controversial measures, including retaliation

only against countries which have already introduced prohibitively high taxes (Turkey and Yugoslavia) and a petrol tax on foreign lorries which carry more than 30 litres of petrol.

The fate of the projected measures depends on the reaction abroad and the official opinions to be expressed by the Austrian Foreign Ministry. It is understood that the Czechoslovak and Dutch authorities have already warned the Austrians that they would refer to immediate retaliatory measures as soon as the Austrian transit tax came into force.

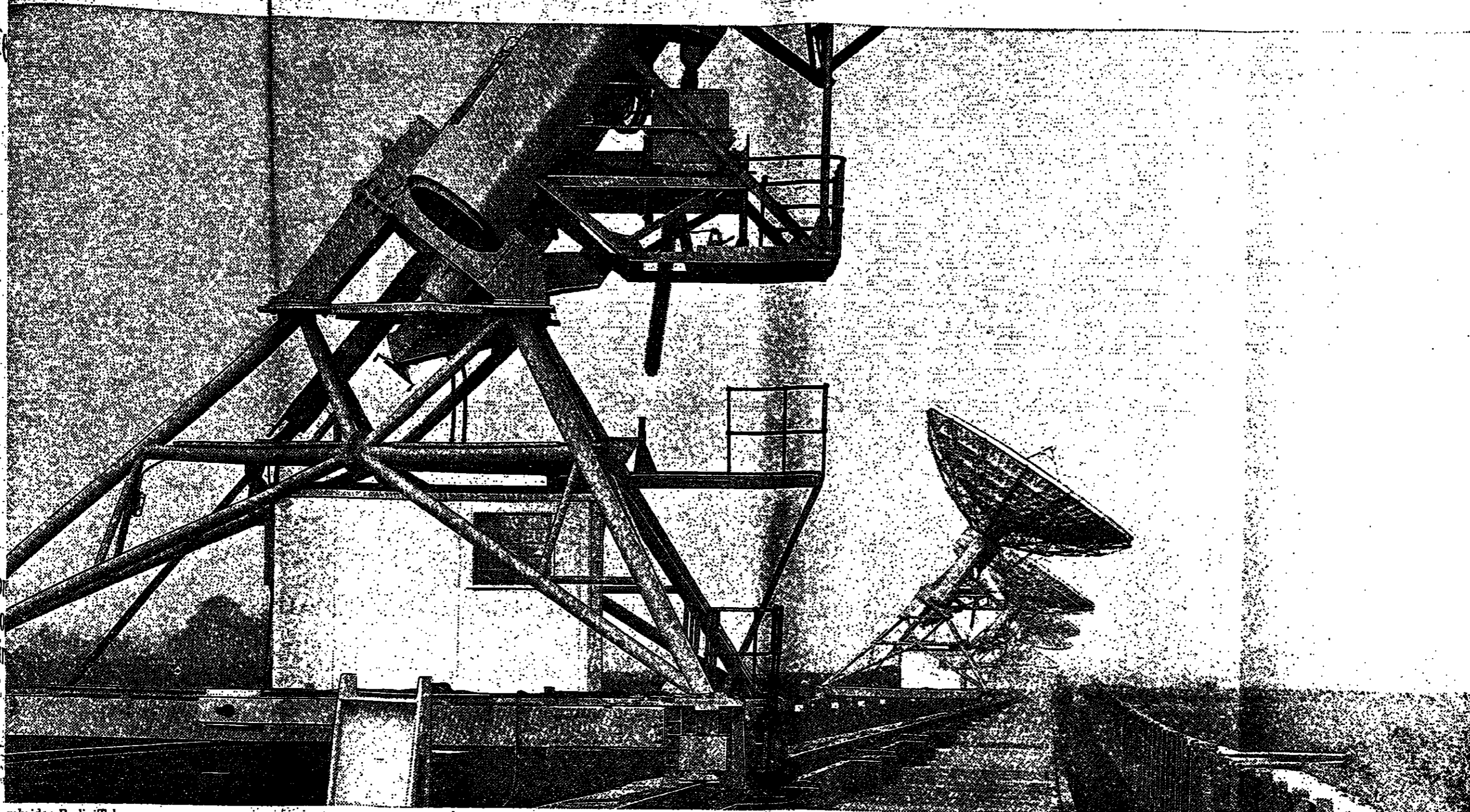
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July 1977





Cambridge Radio Telescope

# BICC-people who make things work in the air

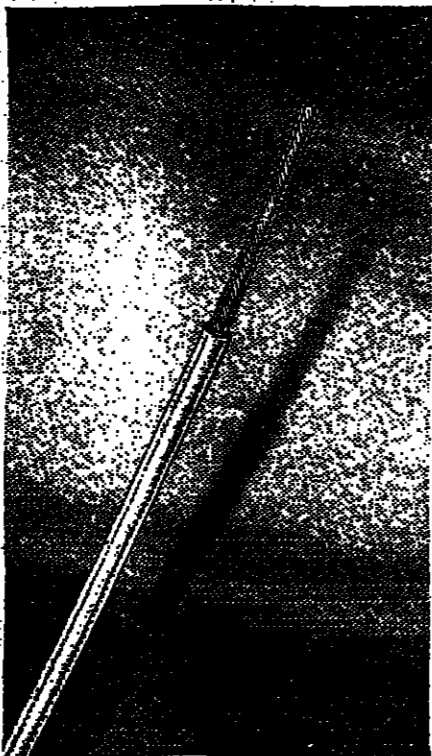
capturing images of his home and family through the lens of his 8mm cine camera, Ernest Adams relaxes. But Ernest recalls images of a far more complex nature — images of galactic radio sources eight years from earth — captured by the 5 kilometre Radio Telescope near Cambridge, which he helped to make operational.

Critical to the operation of the telescope are the cables which transmit radio signals between each of the eight aerials and the central receiving equipment. These radio frequency cables of a BICC design had to be cut to identical electrical lengths, involving an accuracy unattainable with conventional techniques. Ernest provided the answer to the problem with the development of a special cable cutting technique. This used a time domain reflectometer capable of matching lengths of cable pairs to an accuracy of one part per million.

Ernest was just one of the BICC team who manufactured and installed all of the diverse cable types required for the telescope — just one of the team of BICC's 4,000 people worldwide, people who make things work.

Wilf Atkin is another — an ideas man, expert in aircraft cable design. In his spare time Wilf chooses a much more down to earth pastime — winemaking — but one which equally satisfies his taste for a challenge.

Wilf headed the team who have successfully developed cable designs to meet the increasingly stringent specifications of aircraft manufacturers. The same team who developed cables for the latest generation of military aircraft — Jaguar, Harrier, and the MRCA. And whose greatest achievement was the design of an airframe cable for the Concorde.



Cable KP210 — designed by BICC for Concorde.



Hawker Harrier 'Jump Jet' extensively wired with BICC aircraft wiring cable.

The supersonic performance of Concorde created higher operating temperatures for cables. Weight was also a critical factor. The requirement was therefore for an airframe cable lighter than existing types and able to operate at higher temperatures. After months of design study, prototype work and the most extensive series of tests ever carried out on an airframe cable, Wilf and his team evolved KP210, a cable of unique design which met the demanding specification in every aspect.

Throughout the aviation industry, BICC is present. Active, making things work; ensuring safety in the air. BICC cables and accessories help air traffic controllers monitor the complex flight paths with the radar, data processing, communications and display systems installed at the new London Air Traffic Control Centre.

BICC helps us all, by doing the groundwork to make things work in the air.

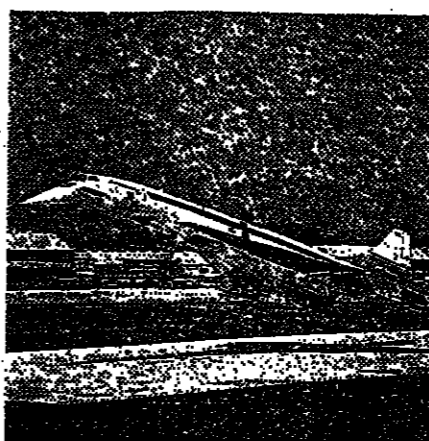
The BICC Group is diverse; one of the world's foremost cable manufacturers and designers; but also deeply involved in the refining and fabrication of metals; heavily committed to research and development in new communications technology; with a major stake in civil engineering and contracting through Balfour Beatty, a BICC company; possessed of hard-won skills in tunnel design and construction, and railway electrification; with specialist expertise in industrial plastics, electrical accessories, capacitors, printing plates... One thing makes it all work. One thing makes BICC a stable, successful, growing company that competes successfully in so many different markets. The quality of its people. Highly trained people committed to getting things done — better than before — for the benefit of all of us.

This booklet tells something of the range of skills of BICC and its people, something of their achievement, and indicates a great deal about their promise for the future.

For a free copy, write to: BICC Limited Group Head Office 21 Bloomsbury Street London WC1B 3QN Telephone: 01-637 1300 Telex: 23463 & 28624 Telegraphic address: Bicalbest London WC1



Wilf Atkin: 'a taste for a challenge'



A BICC specially designed airframe cable is used on Concorde, the world's first supersonic passenger airliner.



## Makes it work

HOME NEWS

Ministry allays fears on sugar supplies

BY CHRISTOPHER PARKES

LABOUR TROUBLES at the British Sugar Corporation's beet-processing factories present no immediate danger to household supplies of sugar, according to the Ministry of Agriculture. One sugar market specialist suggested that even if the whole of Britain's beet crop—expected to yield up to one million tonnes of sugar this year—were left to rot in the ground, there would still be no need to fear a shortage.

Rumours of famine have already caused some panic-buying and stockpiling in parts of Britain. Managers of Sainsbury supermarkets have been given permission by head office to ration shoppers to a maximum of two 1 kilo bars each. A spokesman for the company said yesterday that this was a "mild precaution" authorised to ensure that "hordes of women rushing off with 12 lbs each did not cause artificial shortages."

There are ample stocks of sugar in the U.K. The Ministry claimed, and in any case refined sugar from this year's beet crop would not normally reach the shops for some time.

The Ministry added: "The British Sugar Corporation is only one of three sources of supply to the British market. A major

part of our supply comes from cane sugar refineries." U.K. farmers produce about one third of the sugar used in Britain each year. Up to 1.5 million tonnes comes from cane grown in the tropics and the rest from other Common Market countries.

The EEC is expecting a bumper crop this year after two years of reduced yields caused by drought. This is expected to lead to an exportable surplus of 2 to 3 million tonnes—more than enough to cover any local shortage in one member state.

**Frost threat** Farmers in the Midlands and East Anglia, who have been told to leave their crops in the ground, are growing concerned at the effect of the delays on their winter cultivation schedules. The crop's main enemy at this time of year is frost. But while the frosts are in the ground and as long as there are no periods of unusually cold weather, their sugar content could continue to increase.

Our Labour Staff writes: The industrial problems at the British Sugar Corporation eased yesterday when workers at one of five of its factories which have so far refused to co-operate

with the harvest decided to call off their action.

The decision to co-operate with the 24-hour shiftwork necessary for sugar beet processing to begin was taken at the Corporation's factory in Ailscock, Shropshire. In spite of union warnings over the week-end that industrial action could spread, unofficial action at the five factories, which together account for about one-third of the corporation's production, started a week ago in support of a 20 per cent pay claim by union negotiators for a workforce of about 5,500.

At the end of last week pay talks broke down when unions rejected an offer of basic rate increases of 8.88 to 10.4 per cent, with an extra 4 to 7.1 per cent to be made available in a self-financing productivity scheme. The basic rate increases, the company said, would mean a 10 per cent increase in the wage bill in line with Government policy and the total deal, with productivity based on a 1m. tonne forecast, was estimated at 18.7 per cent.

The unions, however, are standing firm on their demand for better improvements for the year, largely as a result of a lower level of stock appreciation.



The latest in car design — 1914 style. Sir Richard Dobson, British Leyland chairman, drove this Bullnose Morris to the opening in Oxford yesterday of the Nuffield Centenary Exhibition, celebrating the birthday 100 years ago of William Morris.

Company sector's finances improve

BY MICHAEL BLANDEN

THE FINANCIAL position of the company sector improved considerably in the second quarter of this year, largely as a result of a lower level of stock appreciation.

The latest figures from the Central Statistical Office show that the net seasonally adjusted financial deficit of industrial and commercial companies was £384m in the second quarter. This compared with a figure of £1.15bn in the previous quarter.

The improvement has occurred in spite of a slight fall in the total amount of undistributed income in the company sector— which represents the savings of companies— between the two quarters from £3.13bn to £3.06bn.

This figure, however, included only £249m of stock appreciation compared with £1.63bn previously. After allowing for this factor, savings net of stock appreciation were up from £1.5bn to £2.1bn.

Out of this, companies increased their spending on

Beer price 'freeze' ended

By Kenneth Gooding

THE UNOFFICIAL beer price freeze has been ended by the West Country group, Devonish, and its action may encourage several more small brewers to follow.

Since the Price Commission's review of beer prices was published at the end of July, the brewers have been unwilling to go ahead with price rises in case they provided the Commission with new grounds for another investigation of their industry.

Although the Commission will clearly be much more interested in the price plans of the six major groups, some smaller companies are also worried about the reaction to any increases they might implement.

**Big groups** The last time Devonish lifted prices was in January. Like many other regional brewers, it held back in June when the big groups were putting up their prices.

There was fear at the time that an official "freeze" might be imposed on beer prices immediately the Commission reported.

The effects on Devonish's revenue of the decision to hold back can be judged by the size of yesterday's price rise. A 10 per cent average increase has the effect of lifting some beers up by 3p a pint.

Devonish was not obliged to notify the Commission. It told the tenants of its 400 public houses that the increases were caused by "rising labour and material costs."

Mr. Anthony Lincoln, QC, was operating a \$17m claim by an eight-company consortium, headed by Hamilton Brothers Oil (Great Britain).

The consortium, which includes Rio Tinto-Zinc Corporation and Blackfriars Oil, a subsidiary of Associated Newspapers, is suing a Panamanian company, Ocean Contractors Inc, over the withdrawal of a derrick barge with its equipment, divers and other personnel from the Argyll field in June, 1974.

The action is expected to last at least six weeks, with experts from six countries giving evidence.

Mr. Lincoln said the plaintiff companies claimed that their operations had been dislocated

NEB buys Bull Motors (Ipswich)

BY JOHN LLOYD, INDUSTRIAL STAFF

THE NATIONAL Enterprise Board has acquired Bull Motors (Ipswich) from the U.S. concern A. O. Smith for £335,000.

The NEB has also invested £1m in the company, mainly to retool and to develop a new range of products. Bull Motors is one of the world's leading manufacturers of DC electric motors for lifts and elevators.

The acquisition of the company follows extensive restructuring by A. O. Smith, involving the transferring of one of the company's lines of hermetic motors to the Irish Republic, and the subsequent sacking of about 80 of the 380-strong workforce.

Last year, Bull Motors showed an operating loss of around £30,000 on a £3m annual turnover. NEB officials say, however, that the redundancies achieved before purchase have restored the company to potential profitability.

Mr. John Speers, the NEB's divisional director, said: "This is exactly the sort of specialised small company which the NEB can help. The investment will

safeguard profitable manufacturing employment and maintain exports that would otherwise be lost to Britain."

Exports—largely to the U.S.—account for up to 75 per cent of Bull Motors's sales.

Mr. E. J. Woodhead, managing director, said yesterday that the depressed state of the British industry, and in consequence the relatively low demand for elevators in the U.K. and the U.S., had been in part responsible for a disappointing performance.

A. O. Smith's sale of Bull Motors to the NEB marks the final divestment of its worldwide interests in lift and elevator machinery.

Mr. Woodhead remains managing director of the company. Mr. Michael F. Nash, who runs his own company of Fraser Nash Consultants, will take over as part-time chairman.

Mr. Speers said his analysis of the NEB's position had convinced him that it could hold out and extend its share of the world market in lift equipment.

**More problems with Ninian platform**

BY KEVIN DONE

CHEVRON PETROLEUM has encountered further problems with the construction of its £120m central platform for the Ninian Field, following the discovery of cracks in the steel welds of the deck structure.

The 700-ton structure was to have been floated out of the McDermott yard at Ardersier in May or June this year. Delivery is not now expected until the end of this month.

McDermott is a sub-contractor for Howard Doris, which has been building the concrete production platform at Loch Kishorn on the west coast of Scotland.

Cracks have been discovered in steel plating on the deck and in the deck beam assembly, which supports the drilling rig. Altogether about 600 feet of weld have been found to be faulty.

Repairs are being carried out. Before the deck leaves, they will be checked by inspectors from Howard Doris and Chevron, the Ninian Field operator.

Mr. Glen Schurman, managing director of Chevron, said yesterday that the damage did not in any way affect the long-term safety of the structure and it would not cause any delay in the placing of the platform in the North Sea.

The platform was originally scheduled for float-out this year but other problems experienced by Howard Doris at Loch Kishorn—chiefly the sinking of a barge carrying a concrete derrick during a storm a year ago—caused the company to miss its "weather window" for summer period when installations can be made in the North Sea.

That delay is expected to hold back production by about eight weeks.

When the deck repairs are finished, the deck will be floated around the northern tip of Scotland to the Inner Sound of Raasay, near the Isle of Skye, where it will be joined to the platform.

Because of the delays, a large part of the hook-up and commissioning work, including the testing of drilling and life-support equipment which were to have taken place in the North Sea, will be completed inshore before the platform is floated out to the Ninian Field, 105 miles North-East of the Shetland Islands.

The participants in the Ninian Field are British Petroleum, British National Oil Corporation, Imperial Chemical Industries, LAMCO, Murphy, Ocean Drilling and Exploration, Ranger, and Socal (Chevron).

**London bank wound up by High Court**

THE INTERNATIONAL BANK AND Trust Company, of the Middle East was compulsorily wound-up in the High Court yesterday. Mr. Eben Hamilton, for the petitioner, Princes Fawzi F. Abdulrahman, United Arab Emirates' ambassador to Zaire, told Mr Justice Templeman that the bank had failed to comply with an order made earlier this year that it should co-operate with a firm of accountants in report on its financial position.

He said that the bank had now "closed its doors".

Princes Fawzi, a shareholder, creditor and former director of the bank, based his petition on an alleged debt of £4,000 which arose when the bank failed to clear his cheque in favour of London Hilton Jewellers.

The judge directed that the costs of the Secretary of State for Trade, who had presented a second petition, should be paid out of the proceeds of the liquidation.

**North Sea contractor 'took on too much'**

LEGAL ACTION started over North Sea oil equipment was the result of a company "biting off more than it could chew" and promising the same equipment to two customers, it was alleged in the High Court yesterday.

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The action is expected to last at least six weeks, with experts from six countries giving evidence.

Mr. Lincoln said the plaintiff companies claimed that their operations had been dislocated

causing delay and large additional costs and interest charges on a heavy capital investment.

The Oceanic barge could have finished the job in 65 days at a cost of \$5m, and the field would have come on stream in 1974.

Instead, using inferior equipment from other sources, it cost \$17 to \$18m, and did not come on stream until June, 1975.

Counsel told Mr. Justice Templeman that Oceanic's commitments over \$5m for work done by the barge before it left the Argyll field.

Mr. Lincoln said that their defence was that their contract with the consortium was subject to pre-existing commitments to another customer, Pleiad International Oil, in the Dutch sector of the North Sea in 1974.

One of the features of North Sea drilling operations was the great shortage of skilled operators and barges. It might well be that Oceanic had taken on more work than they could cope with.

**COFFEE PRICE BATTLE**

**Tesco to the rescue**

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

TESCO HAS yet again pulled off a public relations coup by making the best out of what other lines like coffee in the summer situation.

Just as in the summer, when it presented itself as the housewife's friend by dropping the trading stamps it had used for the last 13 years, it now seems to have consensually faded into the background until the manufacturer's brands of instant coffee at their new higher prices.

In fact, behind Friday's news that the company would not buy any more Nescafe or Maxwell House coffee until the manufacturers brought their prices down was a shortage of stock. It had already resulted in at least one branch manager nipping round the corner to another supermarket and buying supplies of coffee straight off the shelves.

The fact that Tesco has not itself in this difficulty is largely due to its own success. Since the summer when it dropped its trading stamps and adopted its new pricing policy, Tesco's sales have been racing ahead.

Its share of the total grocery market has shot up from under 8 per cent to over 11 per cent.

But very few supermarket managers brought their prices down because they had adequate supplies of coffee bought at the old price. Some still have several weeks cover left now but Tesco has all but run out of supplies.

This left Tesco with the option of either cutting up its price before its competitors or refusing to buy more at the high price and making do instead with cheaper own-label brands.

Not surprisingly, in view of Tesco's tough record in dealing with its suppliers, it decided to try to call the manufacturers' bluff and refuse to buy more coffee until the price came down.

On the face of it, Tesco had a good case for taking this stance. After all, the world price of coffee is now well below its

Spring peak and yet the retailers are being asked to pay more for it.

The manufacturers, such as Nestle, argue that this attitude is unreasonable. They say that two years ago, consumers were benefiting from the time-lags in the coffee distribution chain. It was not until six months after the world price of coffee started increasing that the housewife had to pay more for her instant coffee in the shops.

Now the reverse is true and the housewife will have to wait some months before the shop price starts falling. Nestle said yesterday that there was little possibility of any price cuts until the New Year.

Miss Daisy Hyman, who runs Tesco's buying operation, does not accept this argument. She is used to taking on manufacturers and winning. This time she is presumably hoping that General Foods and Nestle will have to cut their prices—or at least withdraw the latest increase.

In this aim, she is not alone. All the major supermarkets are working on very fine stocks of coffee and some like Fine Fare, have decided not to replenish supplies of the higher priced brands, like Gold Blend, at the new prices.

Anger in Brazil, Page 35

Liberal warning on Ford's pay deal

MR DAVID STEEL, the Liberal leader, yesterday warned that the Lib-Lab pact could be endangered by an excessive wage settlement at Ford's.

If the settlement greatly exceeded the Government's 10 per cent guideline, it was difficult to see how other claims could be resisted, he said in Edinburgh.

"We have repeatedly made it clear that we would not be prepared to underwrite a wages explosion," he declared.

Barness Seear, the Liberal

employment spokesman, had already made clear the party's "very serious view" of the issue to Mr Albert Booth, Employment Secretary.

"We find it difficult to accept that a genuine productivity deal at Ford's cannot be worked out between unions and employer to provide greater remuneration and improved output," said Mr Steel.

He said he shared the anxiety about the Government's use of arbitrary powers to maintain the 10 per cent limit, but said it

must use every possible power of argument and persuasion to continue the success of the last six months in combating inflation.

Criticisms of the Government's policy come ill from trade union leaders who have rejected the statutory option.

"Likewise from Conservatives, who also decline to see the rule of law in this area, and who increasingly give the impression that they favour the pay restriction policy so long as it is effective."

Advertisement for industrial grants: "You can get a grant of up to 22% on the cost of new industrial building, plant and machinery".

Advertisement for Areas for Expansion: "These incentives could transform your ideas about your own company's investment plans".

Map of the United Kingdom showing the Areas for Expansion in various regions: Scotland, Wales, Northern Region, North West, Yorkshire & Humber, East Midlands, West Midlands, South West, London & South East, Eastern Region, Northern Ireland.

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HOME NEWS

NEW ECONOMIC CLIMATE NEEDED, SAYS SIR KEITH JOSEPH

Tories launch plan to protect small businesses . . .

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE CREATION of a new class of limited liability company... Sir Keith Joseph introduced the document in Blackpool, where it is to be debated to-day by the party's annual conference.

tax switched from earnings to a stable environment by refusing to take part in the Lever inquiry... The National Federation of Self-Employed, the pamphlet said, failed to tackle the question of rates, the main contributory factor to small business failures.

Muzorewa jeered by Tories

By John Hunt, Parliamentary Correspondent

BISHOP Abel Muzorewa, President of the Rhodesian United African National Council, was given a rough ride in Blackpool when he launched a cast-spoken attack on Conservative Party policy towards Rhodesia.

Datsun dealers want voluntary system of curbing imports

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

DATSUN CAR dealers suggested yesterday that one way of helping the British motor industry out of its present troubles would be for all importers to develop a system of voluntary restraint on a temporary basis.

More Home News on Page 29

At a Press conference yesterday, the dealers said that if the policy of restraint already applying to Japanese imports cannot be made common to all importers, British policy should be changed to allow totally unhindered trade.

... and they want to reduce National Freight Corporation

BY IAN HARGREAVES, TRANSPORT CORRESPONDENT

A CONSERVATIVE Government would cut the size of the National Freight Corporation and allow it to seek private investment, according to a paper on Conservative transport policy published yesterday.

able degree in the last two years... The paper speaks of the Labour Government's "death-bed repentance" on key points of ideology.

Warning on 'divisive' work rules

By Our Labour Correspondent

INEQUALITIES in conditions of employment between white-collar and manual workers are fundamentally divisive and responsible for many of the conflicts in industry, the Young Conservatives say in the Workers' Charter, a booklet on industrial policy published to-day.

Cars for sale to carry miles-per-gallon labels

BY KEVIN DONE

ALL NEW cars on sale in garage showrooms and on forecourts from April 1 next year will have to carry a label displaying official fuel consumption figures.

Fisons allowed interim price rises

By Elinor Goodman, Consumer Affairs Correspondent

FISONS IS to be allowed to raise its prices by 70 per cent the amount originally proposed while they are investigated by the Price Commission.

Prentice rejects call to quit seat

By Philip Rawstone

MR. REG PRENTICE yesterday defiantly rejected demands from Labour MPs that he should resign his Commons seat at Newham North-east because of his defection to the Conservatives.

£1.4m. windfall for medical research

BY DAVID FISHLOCK, SCIENCE EDITOR

AN UNEXPECTED windfall of about £1.4m. promises to give about 5 per cent of the freedom to fund new research projects.

IN ORDER?

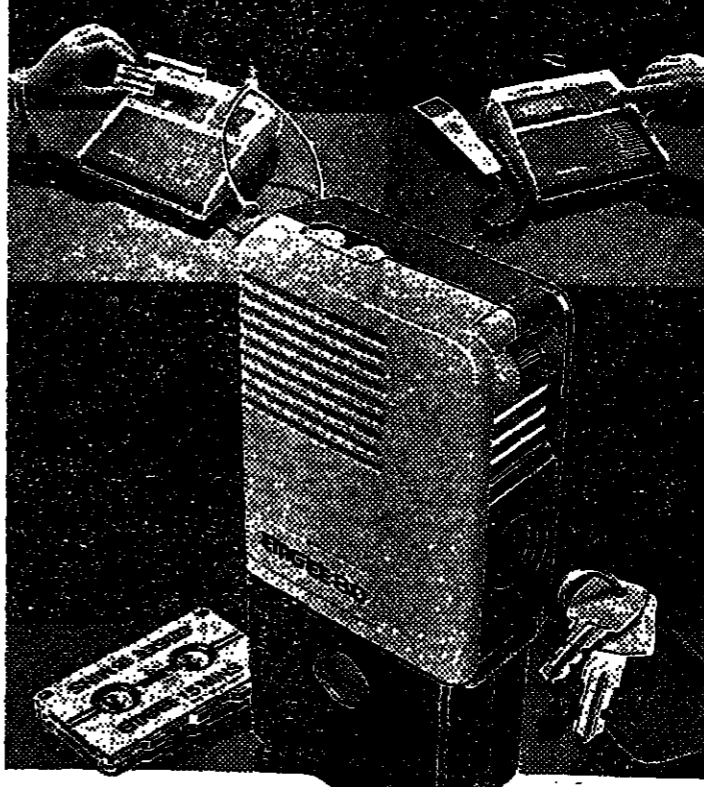
Decision day is DEC 7. Every business in the United Kingdom is facing an important decision. By December 7th your company must decide whether or not to contract out of the new State Pension Scheme.

Bow report backs home ownership

By Michael Cassell, Building Correspondent

THE PERCENTAGE of owner occupied homes in the U.K. will never rise above 60 per cent, of the total housing stock if local authorities continue to build at the present rate, according to a report published by the Conservative Bow Group.

New Engage dictating system: word perfect... price perfect.



You get everything you want with new Engage dictating machines. They are three parts: the System, the Engage 80 Note-Taker, the Engage 82 'Secretary' transcriber, and the Engage 83 'Executive' dual-purpose machine.

SPICERS in the office. Word perfect... Available from: London, Birmingham, Manchester, Leeds, Glasgow, etc.

LABOUR NEWS

British Oxygen gas depot workers on pay strike

BY ALAN PIKE, LABOUR CORRESPONDENT
MANUAL WORKERS in British Oxygen's gases division went on strike yesterday after hearing the company's rejection...

Minister accused in Bank staff row

BY DAVID CHURCHILL, LABOUR STAFF
A GOVERNMENT Minister was last night accused of allowing public funds to be used to set-up a non-TUC staff association...

Former postal workers to join Post Office Board

BY CHRISTIAN TYLER, LABOUR EDITOR
A FORMER postman and a former Post Office counter clerk have been named to join the Board of the Post Office in January...

Funeral workers agree terms for return

BY OUR LABOUR STAFF
AGREEMENT was reached yesterday between employers and unions in the week-old strike by London funeral workers...

Darlington report to back interim status quo

BY ALAN PIKE
THE MEDIATOR'S report on the National Union of Journalists' closed shop strike at North of England Newspapers, Darlington, went out to the union and management yesterday...

Licenseses plan action on Fox and Goose

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT
LICENSEES VOTED yesterday to seek ways of restoring beer supplies to the Fox and Goose at Washwood Heath, Birmingham...

17 reject closed shop

BY OUR LABOUR STAFF
A GROUP of meals-on-wheels drivers and assistants employed by Ealing Council, in London, are refusing to join a closed shop...

Train drivers end go-slow

TRAIN DRIVERS in the Liverpool Street division of British Rail have agreed to withdraw their non-co-operation on routes to and from Liverpool Street and Fenchurch Street...

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Leyland inspectors work on

VEHICLE inspectors at Leyland's Longbridge, Birmingham, recommendation to continue factory yesterday postponed working pending further talks on threatened strike which would a regrading claim...

Financial Times Tuesday October 11-1977
3 per cent EXCHEQUER STOCK, 1981
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# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## DATA PROCESSING

### Inforex in the U.K.

WITH better than 800 users in Europe and the leadership in France and Germany in the supply of latest technology equipment which promotes "users' lib" in fast-expanding companies, Inforex is turning to the U.K. market with its latest system, the "7000."

This equipment makes extensive use of microprocessors in its terminals and control units and is offered to users for installation at centres—plant, warehouses, administrative sections—where a high proportion of the company's essential data is generated.

There it will be used to enter information (80 per cent. of Inforex installations are used for this as their primary job), process it to extract management information for local use, update information files and communicate with head office equipment where required.

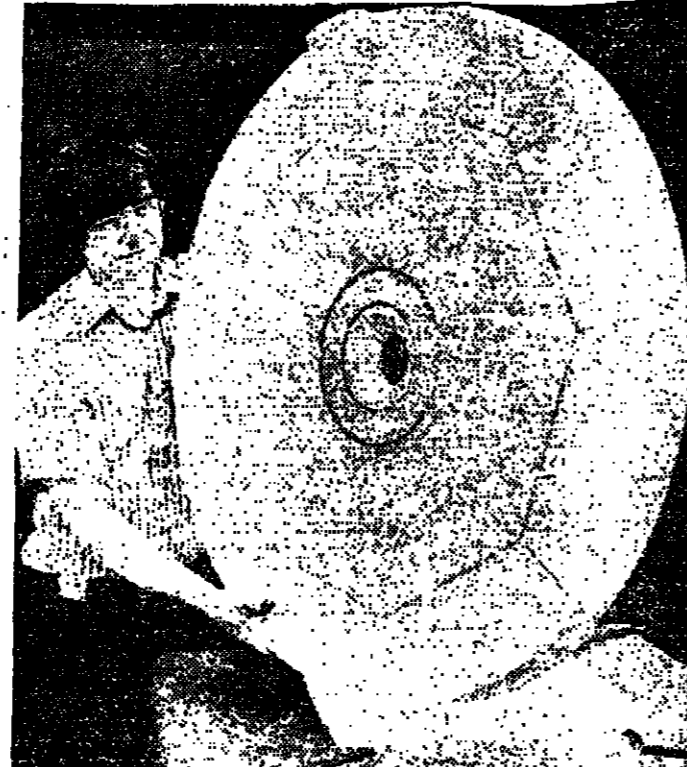
Important in the 7000 release is that fact that it will handle the most commonly used business language, Cobol, to handle all commercial operations as they are keyed in by the operator.

Each controller in the new series will initially have the power to run up to seven local or remote terminals which may include a mix of serial printers and display and keyboard units. Further expansion of this power will be made over the next several months, which means that total development costs for the 7000 are likely to exceed by a considerable margin the \$1m. spent on it over the past two years.

Users familiar with distributed processing equipment will find that Inforex has done a great deal to speed management of operational and users' application routines through better handling of available storage—a virtual machine feature.

More details from Inforex at Inforex House, Headstone Road, Harrow, HA 1PL, 01-883 8311.

## ENERGY



### Wheel of fortune

THERE is nothing like calamity to concentrate the attention of plant operators and in the U.S. during the recent severe winter, calamity in the form of a total cut-off in natural gas supplies hit many industrial plants.

One of these was a brass rod manufacturer in Bellefonte, Penn., which had thus far used natural gas to heat brass billets prior to feeding them to a 3,500-ton extrusion press.

When the complete cut-off in supplies came, the company turned to fuel oil as the source of energy. But it had to be vaporised prior to use in the furnace and to do this, the company decided to use heat recovery from the exhaust gases.

The solution was to install a heat wheel, one of which is shown here. Manufactured from a cellular glass ceramic material, the 40-inch hollow unit takes exhaust gases at 1,450 deg. F. coming from the billet furnace and passes them over its extended surfaces on one side, while on the other incoming cold air to supply oxygen to the furnace and vaporise the fuel oil is raised to a useful temperature of 1,050 deg. F.

It is further diluted with cold air before being fed into the furnace with the oil at about 500 deg. F.

Conversion to fuel oil costs have not been disclosed, but a significant fact has emerged from the running of the plant since the alterations: fuel costs have been cut by some 37 per cent. The alternative would have been to close down till gas supplies were restored or to go for a dual-fuel solution. Both were rejected, the latter because there was not enough room.

Installers of the heat recovery equipment, based on a Corning Cercor material for the wheel, were Granten Equipment, Grand Rapids, Michigan, U.S.

By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.

## NAVIGATION

### Keeps close control of the ship

FOR USE in difficult seaways and during docking and undocking operations, equipment just unveiled by Vosper Thornycroft at Rio de Janeiro will make operations, particularly of large tankers and container vessels, much simpler and safer.

VTP Ship Controller will have particular application to all stages of the working of the so-called shuttle tankers used to bring oil from offshore loading points, such as singlepoint moorings associated with production platforms but on a pipeline, to mainland terminals.

Main elements are a predictor steering system and a dynamic positioning augmented mooring system. Together, these provide close control of the ship during manoeuvring in restricted waters and while moored in exposed positions.

In each of these phases, the controller gives precise positioning and accurate course with facilities for collision and hazard avoidance.

The predictor solves complex mathematical equations which represent what the ship is doing under the influence of control and external forces. Predicted track for several ship lengths is displayed to the officers on the bridge. This allows them to foresee ship's motions and takes a great deal of the burden of dockside movement off their shoulders. At the same time, the facility can help to cut down the use of tug services very considerably.

Inputs to this system include signals from the radars and gyrocompass, with the addition of a rate of turn gyro and two-axis Doppler log, the latter registering thwartships movements.

The display which provides a predicted track on a radar screen, may be augmented in collision avoidance situations with monitoring echoes from the ship's radar and the equipment then indicates what their nearest approach to the ship will be. If this drops below a pre-set value, an alarm will sound.

The mooring system helps to reduce the otherwise very considerable loadings on single-point mooring units, particularly in foul weather, without the shipowner having to go to the cost of a full dynamic positioner.

The vessel is provided with a stern thruster so that the heading can be altered while it is moored by the bow. Sensors include the gyro-compass, anemometer and short-range radar position reference unit which gives precise indication of the relative positions of ship and buoy. Operating on this data, the controller generates signals to the thruster which operates to maintain the preset heading.

More from Vosper Thornycroft on 07018 73511.

## CONSTRUCTION

### Designing platforms

BECAUSE OF their size and the complexity of the reinforcing structures they incorporate, platforms for offshore operations in deep waters are among some of the most complex pieces of civil engineering so far designed.

Many commercial and academic groups have wrestled with the problems of simulating the behaviour of platform elements, and while the structures, to determine resistance to sales and violent wave movement.

A new set of routines written to help the design of gravity platforms to suit a variety of operating conditions has been tested nationally. Engineering, WIL and launched under the code name GOPCIA (Gravity offshore London WC2R 3AU, 01-588 6311).

# Lovell

for construction 01-9951313

## COMMUNICATIONS

### Widening the market

AIMING at what it regards as a largely unexploited market, there are about 31m. phones in the country and only 120,000 telephone answering machines—Robophone has come out with a simple low cost machine which it expects may soon find its way into the private home.

The company is taking a radically different marketing approach by making the product available via office equipment retailers throughout the U.K. The sales force will rise from 32 to some 400.

This is claimed to be the first time that a full scale attempt of a number could be kept, recorded, to suit the circumstances. All controls are pushed through its retail outlets and show machine status, and the is a facility to allow both side-by-side and a normal phone conversation to be recorded. Robophone is a rental basis will continue, however, since the Post Office does not allow such machines to be sold outright. On a seven year contract the machine will cost about £230 per week.

The unit called Communicator C7, is about the size of a "bat" type of hi-fi cassette recorder. There are two record playback sections: one uses three-inch square cartridge hold the announcement that played to the caller, while other employs a standard Philips audio cassette to record the messages of the callers.

Contents of the announcement can be re-recorded from a microphone at any time. The announcement that is recorded, to suit the circumstances. All controls are pushed through its retail outlets and show machine status, and the is a facility to allow both side-by-side and a normal phone conversation to be recorded. Robophone is a rental basis will continue, however, since the Post Office does not allow such machines to be sold outright. On a seven year contract the machine will cost about £230 per week.

## Data from the shop floor

AS PART of a programme of modernisation in the North East, Vickers has introduced some of the most advanced computer technology available to speed the flow of information from shop floor to management. It comes in the form of an industrial terminal system from ICL.

Vickers is the first company to install this newly-announced ICL equipment which is now in operation at its main heavy commercial engineering complex, Scotswood Works, at Newcastle upon Tyne.

Scotswood's 700-strong workforce is engaged in various operations, including the manufacture of container and crawler cranes, plant for steelworks, construction equipment and power presses for the car industry. Detailed monitoring of this spectrum of shop floor activity is undertaken by an "on line" computer system devised jointly by Vickers Management Services and ICL.

Shop floor workers feed work data direct to the computer through eight shop floor computer terminals linked to a central factory control unit.

An instruction chart directs the operator through the stages of data direct to the recorded time of transmission.

Vickers is experimenting with computer-aided method of estimating, a project being jointly undertaken with the Computer Aided Design Centre at Cambridge. The aim is to produce a cost estimating system based on the application of standard manufacturing times to standard surfaces on one side, while on the other incoming cold air to supply oxygen to the furnace and vaporise the fuel oil is raised to a useful temperature of 1,050 deg. F.

## RESEARCH

### Ford tests Stirling

FORD HAS SIGNED an eight-year contract for a total of \$160m on a shared basis with the U.S. Energy Research and Development Administration (ERDA). The specific goal of the programme, to which the U.S. authorities are contributing \$110m, and Ford \$50m, is to develop engines and provide the information to make a decision on putting the Stirling cycle into commercial production for passenger car applications. If it proves viable it could eventually involve Ford in a total investment of over \$500m.

The Stirling engine, originally invented by a Scottish Presbyterian minister, Robert Stirling, in 1816, was first developed as a stationary prime mover to drive factory machinery. It is an external combustion engine which uses a working fluid in a sealed system of cylinders and pistons to convert heat energy into useful work. The fuel itself does not directly provide the hot gases to drive the pistons, as in a conventional internal combustion engine, so the Stirling is more efficient and quieter. It emits lower levels of exhaust gases and can burn a wide variety of fuels, since the burner is external to the engine.

Ford's involvement with the Stirling engine dates back to 1971 and the company holds licences with Philips in Holland and United Stirling of Sweden, both pioneers in the early development of a project financed by Ford. A 170 bhp Stirling engine was demonstrated in a Torino four-door saloon in 1975 with fuel savings of at least 30 per cent. Exhaust emissions were, at the most, a quarter of the permitted U.S. 1977 levels for all three constituents of the gases.

Based on these test results, Ford made a submission in July 1976 to ERDA for an extended development programme, to investigate reliability, durability and manufacturing feasibility of the expensive and specialised components required for the engine. On a year-by-year renewal basis, the new contract is expected to run for eight years, by which time new materials and production technology are expected to be available.

Apart from reducing dependence on mineral oil derivatives as a fuel, the Stirling allows not only a variety of other combustible substances to be used, but provides the means of a progressive switch as world oil reserves dry up.

More on Brentwood 253000.

## METALWORKING

### Better cutting edge

PROBLEMS experienced when using tungsten carbide cutting tools are often associated with the parting-off operation.

According to Kinton Carbide many attempts have been made to produce throw-away tip parting-tools, but with only limited success. This company has designed a tool which is claimed to solve the problems.

Known as Part-A-Max, it is basically an indexable, brazed parting tool. It has three cutting edges that are precision ground.

## HAND TOOLS

### All held in place

LATEST of the hand tools produced by M. Hole and Son of Albany Street, Newport, Gwent (0833 58481), is a range of clamps for holding in position many types of component and material.

Included are two fixed bar clamps with jaw reaches of 2 1/2 inches (60mm.) and capacities up to 6 inches (150mm.) and surface.

## COMPONENTS

### Lightening the cost

MAJOR manufacturer of light-emitting diode (LED) lamps, Hewlett-Packard, has made price reductions of up to almost 39 per cent. across its full range of lamps.

The main price cuts come in gallium phosphide red, green and yellow lamps and the company is narrowing the differentials between high efficiency units and traditional gallium arsenide phosphide. Both categories are that many customers will switch.

More from the company on Wokingham 764774.

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اسلامی

# The Management Page

EDITED BY CHRISTOPHER LEITCH

Mr Cameron reports on how tradition is being preserved by a stained glass manufacturer

## Devotion to craft

**GODDARD AND GIBBS** is an old-fashioned company that makes stained glass and supplies a somewhat ramshackle, Dickensian workshop in the Shoreditch area of London's East End.

It is part of the much larger Clark Eaton group which has an annual turnover of £20m., but Goddard and Gibbs does not have managerial interference from its parent. Its employees of whom have worked for the company for decades, prefer to be left alone to practice their craft in much the same way as it was practised in medieval times. From the general manager down to the youngest apprentice they are all initially conservative.

His does not mean that they do not try to improve their work. Far from it. Earlier this year everyone was delighted when the company started to open a new market for its products in the Middle East. Yet this is likely to lead to a more radical expansion of the business, nobody wants fast, untested growth.

His attitude is not so much a result of natural caution on the part of the company as a result of its traditional atmosphere. The effect of this policy is that Goddard and Gibbs will not be allowed to become too big. The work that it does for princes will never take precedence over the stained glass windows that it creates for parish churches; and its crafts-

men will never be housed in a modern, spacious, chrome and concrete factory.

The employees feel particularly strongly about this latter point. They insist that bright, smart premises would be unthinkable because the bishops would not like it. And one way and another their lordships have proved excellent customers for over 200 years.

The management of a tiny craft company and its position as the wholly-owned subsidiary of a far bigger concern are matters of some delicacy. The executives and Mr. Haig Hamilton-Welsh, the general manager of Goddard and Gibbs, are often quite different from those encountered by other small production units.

### Autonomy

Perhaps the most important point is that an organisation like Goddard and Gibbs needs to be given a high degree of managerial autonomy. The scale of production, the peculiarly close relationship with customers, the valued family atmosphere within the company and the idiosyncratic variations of each craftsman's work make this essential.

Everyone concerned agrees that it would be hard—if not impossible—to run the company just as a minor division of Clark Eaton. And up to now Goddard and Gibbs has been left very much to its own devices. All that the parent company has done is to provide legal advice

plus garaging and plant maintenance facilities. Mr. Hamilton-Welsh says firmly that he decides what further support, if any, Clark Eaton should give.

Mr. Hamilton-Welsh has been with the company for 11 years and for part of that time the going has been extremely rough. The concern was hit by the general recession in building and it has also felt the effects of the decline in churchgoing. Roughly 60 per cent of Goddard and Gibbs' business is restoration work but as church buildings fall into disuse much stained glass is being sold abroad or left to rot. And the church in England is too poor to commission many expensive, new stained glass windows.

Yet in the past two years the outlook has become brighter for the company and Mr. Charles Clark believes that the time has come for further improvement. Mr. Clark was managing director of Clark Eaton until earlier this year when illness forced him to relinquish the position. But he is now preparing to buy a 52 per cent interest in Goddard and Gibbs from Clark Eaton which will retain the rest of the shares.

He intends to devote himself to stained glass in the future—a prospect which seems to please everyone at Goddard and Gibbs. One reason for the general satisfaction is that Clark Eaton itself is a family concern of 200 years' standing and though Mr. Clark plans to make some changes at Goddard's his ideas appear to be very much in line with those of Mr. Hamilton-Welsh and the other employees.

For instance, he believes that the personal touch is vital for the company's business success and he thinks there is a danger that it could lose its identity if it became too big. He is also determined that the growing export market "must not swamp the ecclesiastical work."

On the other hand he would like to see a growth of between 20 and 25 per cent over the next few years with a possible 20 per cent increase in staff. The current turnover is £250,000 and there are only four craftsmen working in the Goddard's studio. Twenty years ago there was a dozen.

Mr. Clark plans to finance this expansion by exploiting the export potential for stained glass and by opening up the interior decoration market both at home and abroad. At the same time he wants to run a campaign designed to make the public aware of how much stained glass is being lost through sheer neglect.

He says that at present far too little attention is paid to stained glass although people are now slowly beginning to realise its artistic worth. This is why it is being increasingly used inside the home in the form of lamps as well as windows. And it is proving particularly popular in Middle Eastern houses and palaces.

Earlier this year Clark Eaton decided to mount a small, four-day exhibition of their glass products in Dubai and Goddard and Gibbs was asked to send some examples of its work. The exhibition was an immediate success—so much so that it has now been put on a permanent basis in Sharjah. It has already brought in £0.5m. worth of orders for the Clark Eaton group as a whole and Goddard and Gibbs itself has had orders worth over £10,000.

The company has been asked to give a quote for putting stained glass in the ruler's palace in Sharjah and in his brother's palace. It is also work-



A master glass cutter works on a design for a church window.

ing on designs for flats and for public buildings for Arab customers. John Lawson, Goddard's designer, has made a special study of Islamic art and design. He points out that stained glass fits well into the artistic traditions of Islam with its emphasis on mosaic decoration and its ban on any representation of the human form.

Yet those concerned with the company, including Mr. Clark, Mr. Hamilton-Welsh and the master glass painters themselves, see the expanding Arab market chiefly as a source of finance for their ecclesiastical work. They hope eventually to divide the business into two sections: one will deal with secular export orders while the other will be reserved for church glass. But there will never be any doubt about which will come first. Any suggestion that Goddard and Gibbs should forsake its Christian churches for the richer pastures of Islam is looked upon as a particularly pernicious form of artistic blasphemy.

### Market

As it happens the market for ecclesiastical glass is now beginning to improve. The company has just completed a rose window for Lancing College in Sussex. It is the largest rose window England has seen since 1666 when the one in old St. Paul's was destroyed in the Great Fire of London. The Lancing window is 36 feet in diameter and it cost the college £36,000.

As far as restoration work is concerned, Goddard says it is "continuously working on the glass in Westminster Abbey." It replaced the annex of Westminster Hall after the bomb attack and it is currently replacing all the clerestory windows in Beverley Minster.

Yet the company admits that it and its employees often subsidise the work they do for churches. It says that the poverty of the Church makes this a necessity—there would be no point in the company pricing itself out of the market. Stained glass currently costs between £30 and £100 per square foot depending on the design. About 55 of this goes on raw materials—lead and glass. The rest is labour costs.

What is unusual about Goddard and Gibbs is that the employees do not seem to mind making financial sacrifices for the sake of the product. Indeed most of them appear to think that they have a duty to do so. The average wage is only £50 to £60 per week—ludicrously

BOOK REVIEW BY PROFESSOR FRANCIS JACOBS

## Trading's legal labyrinth

Fair Trading in Europe. By A. H. Hermann and Colla Jones. Kluwer-Harrap Handbooks, £14.50.

FEW MAJOR commercial decisions can be taken nowadays without careful consideration of the ever-growing regulation by public authorities of economic activity. Transactions of all kinds and of all sizes are subject to an increasing volume of legislation designed to regulate trade in the interests of a variety of social, economic and political purposes. In the United States, competition at any rate, is for the most part regulated by a single body of federal law. In western Europe, by contrast, both competition law and consumer protection law vary bewilderingly from country to country, with EEC law superimposed upon the national laws of the member states, creating an additional dimension, so that a single transaction may have to be considered simultaneously from several different viewpoints, each rapidly changing and itself subject to different tensions as the social, economic and political context itself shifts.

It takes two or three years to become proficient at cutting, painting or leading glass and seven or eight years to become a true craftsman. Mr. Jimmy Weatherley, who cuts and plastices up the glass, and Mr. Bill Smith, who paints it, both say that they are still learning their craft. Yet they have long since finished their apprenticeships—the two of them have been with Goddard and Gibbs for over 30 years.

Man management in a company like this is rather different from that in a mechanised industry. People cannot be told to increase their output or improve their quality control, for example. The management does not possess the expertise needed to make such suggestions.

Mr. Hamilton-Welsh says that in the main the staff are not much interested in the technical details of Goddard and Gibbs' management. They take the view that everyone should be left to get on with his or her own job. That is what they all know best and care about most. And this is what makes Goddard and Gibbs the institution that it is.

It is the purpose of *Fair Trading in Europe*, a handbook in the series of Guides to European Business Law, to steer the businessman through this legal labyrinth. The term "fair trading" refers, as in the U.K. Fair Trading Act 1973, to both competition law and consumer protection law—areas which are increasingly converging; while Europe includes, for the purposes of this book, not only the EEC and its nine member states but also Austria, Norway, Portugal, Spain, Sweden, and Switzerland.

Such wide coverage, both geographical and in terms of subject-matter, would be impossible but for the fact that in many of these countries the relevant law is still in its infancy. Indeed there are only three European systems which can be described as relatively mature, or perhaps as vigorously adolescent; these are the German, the U.K. and the EEC systems, which are rightly accorded the major part of the book.

### Main object

In the EEC the main object of the competition rules was initially straightforward. Barriers to trade among member states were to be dismantled by the abolition of customs duties, of quotas, and of other obstacles to such trade. The national markets of the member states were to be replaced by a single market embracing the whole of their European territories. It was, therefore, essential to prevent firms, by the use of cartels or of monopoly power, from re-establishing national markets and from imposing their own barriers to inter-state trade. This need explains the crucial criterion included in Articles 85 and 86 of the EEC Treaty that agreements and concerted practices, or the abuse of a dominant position, must be caught by those provisions, be such as to "affect trade between member states."

That criterion must not mis-

lead the unwary into thinking that agreements to which only firms from one member state are party and which restrict competition only within national territory are automatically outside the Treaty provisions. Such agreements may be within Article 85. The authors go too far in suggesting that the criterion is absolute; rather, it has been given a dynamic interpretation by the Commission and the Court. As a result, those institutions' jurisdiction extends to agreements apparently confined to a single member state, and indeed to behaviour originating outside the EEC.

Quite apart from these developments, however, the question may be raised whether the original aims of the EEC competition rules remain valid in the very different economic climate of today. For the other provisions of the EEC Treaty, the rules were designed for a period of continuous economic expansion and may seem less well suited for a relative recession.

The treatment of U.K. law is comprehensive and clearly presented. It is subdivided into monopoly control, merger control, restrictive practices and consumer protection. The treatment brings out the very different institutional arrangements which have grown up in the U.K. demonstrating the division of functions among the Secretary of State for Price and Consumer Protection, the Director-General of Fair Trading, the Restrictive Practices Court, the Monopolies and Mergers Commission, and the Consumer Protection Advisory Committee.

The institutional structure in the U.K. contrasts strikingly, and in the opinion of some writers unfavourably, with systems based on the U.S./German/EEC model in which decisions are made by a relatively independent administrative agency whose decisions are subject to a wide measure of judicial review. Here too this book, as well as fulfilling its aim of giving practical guidance to the businessman, will undoubtedly stimulate discussion of the wider issues, which are strikingly illustrated by this broad comparative backdrop.

Professor Jacobs is Professor of European Law, King's College, University of London.

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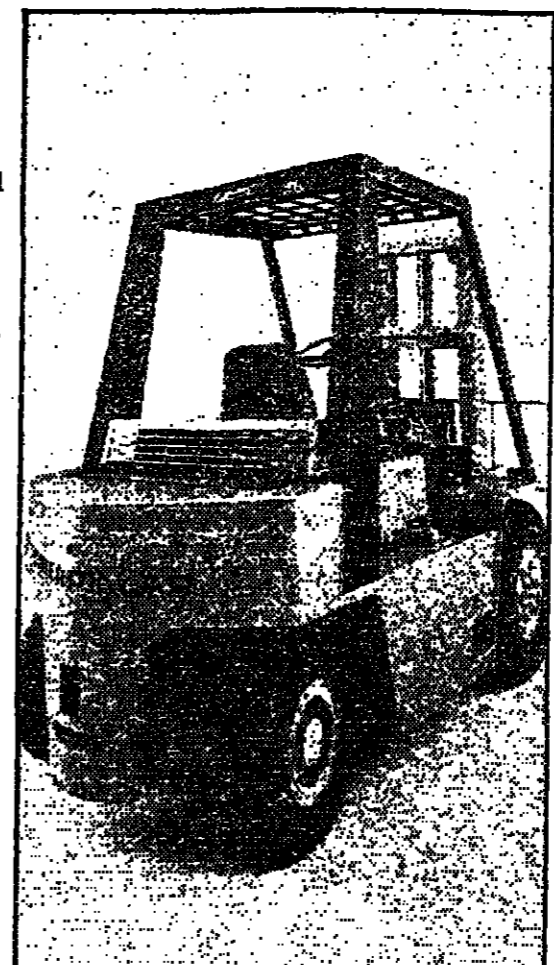
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# FINANCIAL TIMES

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Tuesday October 11 1977

## Prices moving well

IF THE September indices of manufactures as a whole rose wholesale prices show a rather less dramatic improvement than that of the previous month, they also show that progress is continuing steadily towards a lower rate of inflation. The cost of raw materials to industry has been brought down by the firmness of sterling and the weakening of some world commodity prices. This in turn, together with wage restraint, has helped to brake the increase in manufacturing output prices and led to a much slower rise in the index of retail prices, the most common measure of the cost of living.

### Peak level

The price paid by manufacturing industry for raw materials and fuel reached a peak in April and has since been falling gradually but unerringly. The extent of the fall has varied from month to month, sometimes because of fluctuations in the level of world prices and the sterling exchange rate, sometimes for purely statistical reasons: last month's drop is relatively small, for example, mainly because the encouraging figure first published for the previous month has since been revised further downwards. This overall drop conceals the fact that the cost of materials purchased by industry other than food processing was lower last month, that of the food processing industries rather higher, with prices at home in the latter case more than offsetting lower prices for imports.

### Cost of living

This continuing fall in input costs is doubly encouraging. First, to the extent that it is an advance indicator of how the import prices of raw materials will move, it suggests a further improvement to come in one important sector of the balance of payments. Secondly, it suggests that the rise in output prices should continue to decelerate for at least some months to come. Output prices of

## New consensus in Spain

THE economic package agreed by the Spanish Government and Opposition over the week-end is a considerable political achievement. It is not often, after all, in any country that Government and Opposition agree to work so closely together and it is striking that the Opposition not only endorsed the package, but also participated in its formation. That alone should go some way to making the measures more acceptable to the public at large. Moreover, the Opposition parties can fairly claim that what has been produced is much more than a series of economic correctives: there is also a degree of social reform. For example, in the introduction of wealth and property taxes and the measures to curb land speculation. The progressive dismantling of the apparatus of the Franco regime will also be further continued if the promises to reduce the bureaucracy and the size of the Government pay roll are put into effect.

### Main thrust

It is here that the main thrust of the new measures lies. The ceiling on future wage awards is to be set at a little over 20 per cent, with the aim of bringing down the inflation rate to 22 per cent, or less in the coming year. That is still high by any standards, but it would represent a considerable improvement on the performance of the recent past. The fact that the targets have been agreed by Government and Opposition also suggests that they might be capable of achievement. At the very least, it will now be difficult for the Opposition parties to support wage demands out of line with the plan.

There is another aspect of the package which is impressive, and that is the absence of an appeal to the IMF or the European Community. It seems that the authorities are determined to make a show of putting their own house in order first before applying for credit. Resort to the Whiteveen facility has been mentioned, but not for the present year. The immediate priority, apart from reducing inflation, is further to strengthen the export recovery. The country could then go to the IMF on the basis of bolstering success rather than in emergency.

### Problems

That said, however, it remains that the economic problems that Spain faces are formidable. By far the most serious is inflation. The cost of living rose by over 3 per cent in August alone and there are now suggestions of an annual increase approaching 40 per cent. There is a large and possibly chronic balance of payments deficit, while the unemployment rate of around 6 per cent, probably understates the true figure. There was thus no excuse for inaction.

Indeed the action began earlier this year when the Government devalued the currency by around 20 per cent. That move was surprisingly successful in a short period of time. There was a tourist boom which gave a much more healthy look to the country's reserves. There has also been a steady improvement in exports over the past few months: car exports, in particular, have risen sharply, thanks partly to the new Ford plant, but more traditional exports, too, have done well. Very much of the trouble continued

# Confidence begins to return to industry in Midlands

By ARTHUR SMITH, Midlands Correspondent

FIRST signs of a return of business confidence, and with it the prospect of the long-awaited upturn in industrial activity, are at last becoming apparent in the Midlands. The quarterly survey of business intentions, published this month by the West Midlands Chambers of Commerce, is the most optimistic for some time. Many companies are significantly more confident of proving orders, turnover and profitability in line with the survey of investment plans released last Tuesday by the Department of Industry, businessmen appear to be taking a more optimistic view and looking again at committing funds to new buildings and equipment.

But, as befits a region which regards itself as "at the sharp end of the economy"—a disproportionately high 46 per cent of the region's workforce is directly employed in manufacturing—businessmen's attitudes are cautious. "We have had a number of false dawns over the past two years and we will believe it once it has happened," says Mr. John Warburton, acting director of the Birmingham Chamber of Commerce.

Nevertheless, he believes that the region is poised for steady rather than dramatic expansion. The political and economic environment in which business operates has changed spectacularly in 12 months. This time last year the pound was dropping sharply in value, interest rates were moving towards record peaks and there were fears that a new crisis might at any time bring down the Government.

Now more and more industrialists are prepared to concede that Mr. Denis Healey, the Chancellor of the Exchequer, may have got the balance right in his message last week to the Labour Party Conference when he talked of "slow and steady" expansion.

A wide range of companies have enjoyed a growth in output of around 3 per cent, to 5 per cent, during the past 12 months and are looking forward to a similar improvement in the coming year. But it is still too early to draw hard conclusions. Opinions are divided about how strong any upward trend in the economy might be and this is now an issue for debate among businessmen.

A fairly sombre assessment of the situation is given by Mr. Eric Swainson, managing director of Imperial Metal Industries and chairman of the West Midlands Region of the Confederation of British Industry. He concedes that there is much talk of an upturn and that the business climate may have improved. "But the reality is that output and orders remain fairly flat."

At the last meeting of the CBI Regional Council a count

of the 30 or so delegates showed 20 reporting order books little changed over the previous quarter. The remainder were fairly evenly divided about whether the trend was up or down. "It was ironic to look at the gloomy faces round the table on the very day that prices on the stock market were moving to a record high," said Mr. Swainson. Indeed, the euphoria indicated by the upsurge in the FT Index only adds to the confusion of local businessmen. Performance between industrial sectors has been varied, with pottery and the motor components industry benefiting from strong export demand. Specialised areas, such as diesel engines and business computer systems, are showing growth, but the capital goods sector in general remains fairly depressed. Demand for consumer goods remains flat but there are hopes that the position may be on the turn and that this will feed back through the rest of the economy.

Any signs of revival must be judged against the fact that the Midlands is only now emerging from its deepest post-war recession. Spare capacity has been taken up gradually over the past two years and generally is around 10 per cent, compared with 30 per cent in 1973. There are exceptions, of course: largely as a result of the prolonged recession in new house building, parts of the carpet industry are still operating at only about two-thirds of capacity.

The very length of time industry has spent in the doldrums could itself prove a factor in the upturn. This is certainly the view of Mr. Richard Wootton, U.K. sales director of Tube Investments Steel Tubes Division, which has 15 Midlands companies. "Everybody I have talked to seems to hold the view that at the worst things have stopped turning down. Whatever business one is in must soon start to pick up. Both products and equipment will need replacing."

Mr. Wootton thought his division, with a turnover of more than £200m a year and a labour force of 15,000, would show little overall increase in output during 1977. While demand from the motor industry remained buoyant, power generation, mining and construction were still depressed. "Next year we do not see anything bright in the first quarter but by the middle of the end of 1978 we expect to be working much harder." The picture would vary from company to company but some factories ought to be working near to full capacity for the first time for several years, he added. Mr. Wootton based his "cautious optimism" upon reports from customers that they will be increasing their orders in 1978.

A company which has benefited from the strong recovery of the vehicle industry in the western world is Associated Engineering, the Leamington-based component manufacturer, with an annual turnover of well over £250m. Mr. John Collyear, the managing director, hopes that his Midlands factories will raise output by at least 5 per cent over the next 12 months. But he points out that such a target will be achieved less because of the strength of demand at home or overseas but more because of the company's efforts to introduce new products and increase market penetration.

The underlying trend of unemployment in the West Midlands, which hit a post war

record 6.8 per cent in August, has been rising since the spring of this year. The survey by the Chambers of Commerce indicates that employers may again be considering taking on new labour but there are few positive signs of this yet. Much political heat is likely to be generated about unemployment in the coming months. But the issue of greatest concern to all businessmen and one which clouds their judgment of whether or not economic recovery can be sustained is that of wages. Certainly there has been a dramatic shift in sentiment over recent weeks. Only a couple of months ago it was difficult to find a personnel manager in the Midlands who did not believe that the "return to free collective bargaining" from August 1 would herald a pay explosion. Such fears still persist, but comfort is taken from the fact that workers with recognised grievances remain at work.

The turning point came at the end of August with the collapse of the strike of 20,000 production workers at Leyland Cars' Longbridge plant. An abortive strike of Jaguar workers at Coventry and a Stage Two increase of up to £4, in spite of demands for a £20 a week increase. Some 6,000 workers at the Triumph plant, Canley, and 3,500 Chrysler employees at Coventry, remain at their benches even though procedure has been exhausted on claims for increases of around 25 per cent.

The ending of the 10-week strike of Lucas toolworkers, of around 15 per cent to raise morale and ensure continuity of production. But they are unlikely to do so unless they are confident that productivity gains will follow. Management remembers the cash flow problems of a couple of years ago and is conscious that cost increases, particularly in export markets, will be difficult to pass on. Indeed, a number of companies are beginning to express disquiet about prospects in export markets. Mr. Reginald Beakbane, chairman of the West Midlands Chambers of Commerce, draws attention to the fact that the latest survey reveals a continued downturn in both orders and deliveries. The sluggish performance of the international economy also seen as a constraint upon the extent to which Mr. Healey will be able to reflate in autumn. The CBI view, put by Mr. Swainson, is that the Chancellor would be reckless to attempt rapid expansion. It is when we are still suffering from 15 per cent inflation, industry is looking for stimulus for the struggling construction sector, moves to reduce direct taxation and increase personal incentives. The emphasis is upon cautious business expansion. Many companies would be keen to see the sustained growth could be the of the offing. They believe, however, that the opportunity to give an important lift to business confidence, the job he takes will be crucial.

### SOME OF THE ECONOMIC INDICATORS

	Sept.	June	Mar.	Dec.
<b>ORDERS</b>				
Home orders compared with three months ago	up 38	29	42	47
same	24	37	34	31
down	38	34	24	21
Export orders compared with three months ago	up 30	33	40	45
same	45	41	34	33
down	25	26	18	22
<b>PRODUCTION</b>				
Companies working at				
full capacity	25	24	24	25
80-100% capacity	43	43	43	N/A
60-80% capacity	28	29	29	N/A
at less than 60% capacity	4	4	4	N/A
<b>CASHFLOW</b>				
Cashflow compared with three months ago				
improved	22	23	17	24
satisfactory	51	53	52	52
worse	27	24	31	24
<b>LABOUR</b>				
Companies expecting workforce to				
increase	23	17	28	23
remain constant	69	73	64	66
decrease	8	10	8	11
<b>INVESTMENT</b>				
Plans for new plant and machinery in next 12 months have been				
revised upwards	23	19	23	23
unchanged	75	74	72	73
revised downwards	2	7	5	4
<b>CONFIDENCE</b>				
Companies confident turnover will				
improve	65	52	62	58
remain same	28	35	27	44
worsen	7	13	11	18
Companies confident profitability will				
improve	36	33	35	25
remain same	47	44	39	46
worsen	17	23	26	29

\* Results all by percentage. Number of respondents 270. Number of employees 200,000. Source: From the West Midlands Chambers of Commerce quarterly economic survey.

### BUSINESS FACTORS

Companies were asked to indicate three factors most likely to improve their prospects. The following shows the order of importance placed on the factors listed—

	Sept.	June	March	Dec.
Higher productivity	65	78	68	71
Retention of pay control	57	48	44	N/A
Less legislation affecting business	43	32	28	N/A
Improved cashflow	31	27	29	22
Reduction of Corporation Tax	20	22	31	22
Better industrial relations	18	15	13	N/A
Lower interest rates	17	24	35	47

Source: West Midlands Chambers of Commerce quarterly economic survey.

## MEN AND MATTERS

You've been warned...

William Mackey, who heads the Insolvency department at the London head office of chartered accountants Whinney Murray, will be lecturing to a select audience of IBM executives in Brussels next week. He will present his Viability Test, based upon a wide and saddening experience of British companies that have gone down the drain. It goes like this:

"Does your company meet any of these requirements? 1: Rolls-Royces with personalised number plates. 2: Fish tank or fountain in the reception area. 3: Flag pole. 4: Queen's Award for Industry (U.K. only). 5: Chairman honoured for services to industry. 6: Salesman or engineer as chief executive. 7: Recently moved into modern offices. 8: Unqualified or elderly accountant. 9: Products are a market leader. 10: Recently changed bankers. 11: Audit partner grew up with your company. 12: Chairman is a politician or well known for his charitable work. 13: Announced a huge order in Afghanistan. 14: Satisfied personnel with no strike record. 15: Recently announced a technological breakthrough."

Mackey then delivers his punchline: "If you answer 'Yes' to three or more questions, call the creditors together—You're broke."

### Lane campaign

The Victorian Society has sent an eleven-hour appeal to the Salters' Company in a bid to save a block of property in the City from demolition. But the society accepts there is virtually no hope. The architects for the development scheme, at the southern end of Bow Lane, say they certainly expect the buildings to start coming down



before Christmas. Three listed buildings will be saved.

The Salters' own the area, facing on to Queen Victoria Street, equally with the pension funds of the Electricity Council. The secretary of the funds, Alan Urwin, says the redevelopment will be "a great improvement"; the former shops and offices have stood derelict since the tenants were told to quit seven years ago. The only place still open is a Victorian pub, the Skinner's Arms, which will come down with the rest. Architectural historian Jennifer Freeman alleges that the City is "making a mockery of conservation." In contrast, the City Museum has accepted the inevitability of the demolition and looks forward to early action. This does not entirely please Urwin, who says: "As soon as you demolish something, they start turning it over for Roman remains."

Further up Bow Lane, another chunk of redevelopment is by no means a fait accompli. A consortium of insurance companies has put in plans for redeveloping an area alongside an alley called Well Court, and a "Save Bow Lane" campaign is contesting this bitterly. The

owners, who bought up the freeholds about 20 years ago, are grouped in a company called Watling Street Properties. The surveyor, Peter Green, who is also deputy chief surveyor of the Prudential, describes much of this area as "grotty," and says the term "rebuilding" was more suitable than "redevelopment." He hopes that "certain characteristics" will be retained—and claims that the local shopkeepers are "kicking up because they don't want to lose their businesses."

The conservationists argue that Bow Lane still retains some of the atmosphere of the old City, of which little is left, and that its medley of small shops is an amenity for people working round about. They believe that when new shops appear, they will have far higher rents and a different style of selling. The City of London planning office is now brooding on the Well Court scheme, before making recommendations to the planning committee. The owners are confident that they will start work next year.

At the top of the lane, where it enters Cheapside, stands St. Mary-le-Bow, the church of Bow Bells renown. On one of its walls, somebody has scribbled a cryptic slogan: "Do you pay for service by humans or the iron monster?" The shopkeepers are a bit baffled by that, but they feel the author must be on their side.

### Jack's the boy

Hugh Scanlon is a fairly predictable appointee to the National Enterprise Board as a part-time director. But Sir Jack Wellings, chairman and managing director of the 600 Group—how will his plain-spoken and abrasive approach fit in with the somewhat do-gooding image of the NEB?

After the announcement yesterday, Sir Jack evinced all the cheerful aggression he has thrown behind the 600 Group,

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Observer



# FINANCIAL TIMES SURVEY

Tuesday October 11 1977

## A regional capital market

by Richard Johns  
Middle East Editor

THE SUCCESS of Bahrain in drifting from its location in the rich Gulf, though only a small declining producer itself, has been highlighted more dramatically by its flourishing shore banking venture than by other recent developments in the state.

It is just two years since the invitation was issued to international banks to apply for licences. Many were quick to respond but even a year ago was still justified in talking of Bahrain's "experiment". Now Bahrain's offshore banking scheme for issuing restricted banking licences (RBL) in the spring of 1976 (which also allowed scope for domestic operations) and 12 applications were approved — a small number which lent weight to the claim that it did not wish to challenge Bahrain as an equal in the offshore banking business. Whatever the truth, Bahrain's offshore banking units (OBU) were prominent on the international map and only one of the RBLs was in business when in May this year the banking crisis in the UAE ensured that there would be no competition from that quarter.

United Arab Emirates Currency Board had allowed banks to open there. The UAE announced its own scheme for issuing restricted banking licences (RBL) in the spring of 1976 (which also allowed scope for domestic operations) and 12 applications were approved — a small number which lent weight to the claim that it did not wish to challenge Bahrain as an equal in the offshore banking business. Whatever the truth, Bahrain's offshore banking units (OBU) were prominent on the international map and only one of the RBLs was in business when in May this year the banking crisis in the UAE ensured that there would be no competition from that quarter.

### Demand

Certainly, the still evolving federation did not provide the right framework for offshore banking operations in the Gulf for which Bahrain's Monetary Agency has proved the demand. To date it has granted 40 OBUs, including many of the major names in international banking and embracing a global spread, most of which are now operating. Kuwait, with all its wealth, financial centre for the Gulf, is not the least because of its own exclusion from settling within its privi-

# BAHRAIN BANKING AND FINANCE

Bahrain has gone some way towards establishing itself as a financial centre for the Gulf. It has moved successfully into offshore banking and is now recognised internationally as an important money market.

leged confines, has cast an envious eye at Bahrain's success in making a money market. Off-shore banking has proved another example of Bahrain's ability to diversify as a service centre for the region. It is in a very different position to its peers in the Gulf with their relatively small indigenous populations and incomparably larger petroleum incomes. They can afford to invest in enormous capital-intensive, hydro-carbon-based industrial projects (some of dubious viability) of the kind that Bahrain cannot. With a revenue from oil about 3 per cent of Abu Dhabi's, Bahrain's native population must be almost five times as big.

### Asset

Bahrain's other main natural asset is the high-quality non-associated natural gas from the Khuff Zone. Availability of this cheap energy made possible the establishment of Aluminium Bahrain. After a number of setbacks—technical difficulties, labour trouble and a major fire—it is now proving a profitable venture and giving a handsome return in terms of export earnings and revenue, thanks to the surge in world demand for the metal. An increase in capacity from 120,000 tons to 180,000 tons is now being planned for a venture that originally appealed to the Government as a means of generating employ-

ment—but is now regarded as important for its revenue potential. The number of Bahraini nationals is now approaching 200,000 and believed to be growing at the high rate of 3.5 per cent with over half of them under 20 years of age. Bahrain faces a long-term problem both in the quality and the quantity of employment opportunities for its young people who—like the last few generations—have enjoyed good schooling by the standards of the region. Yet prosperity has been such that it has been necessary to import labour. At the end of last year it was calculated that foreigners accounted for 60 per cent of a labour force of 100,000 compared with 37 per cent out of 60,000 in 1971.

Nevertheless, Bahrain's economic progress—with all its implications for political stability—has been such as to confound those pessimists who in 1971, when the U.K. military presence departed and the State obtained full independence, gloomily forecast that Bahrain would find it difficult to pay its way and to find jobs for its sons. The garrison rental and its spending—paltry sums by today's standards—were of vital importance for the com-

munity. In the event Bahrain has profited hugely from the 1973-4 escalation in oil prices to the extent that it has enjoyed a boom comparable to those of the other Arab oil producing States. The State has been able to exploit its advantages of geography, excellent communications, a well-developed infrastructure and an educational base built up over 50 years. Bahrain may be the least of the Arab producers of oil, but it has profited longest from it in this last very important respect.

While sharing in the regional boom, Bahrain has also suffered from the same inflationary pressures on wages, prices, and rents generally. Over the past year a slowdown has been evident and greeted by the Government if not by some of the insatiable merchants. It is a justifiable cause for concern that a minority have been enriching themselves at a time when many poorer Bahrainis have been hard hit by inflation. An unhealthy proportion of economic activity has been accounted for by construction of commercial property and luxury accommodation. In this situation the Government has rightly recognised that low-cost housing is a priority. The aim is

to build 15,000 more units in the next five to seven years. At least 1,000 a year will be needed to reduce room occupancy from 2.6 to the 1.3 recommended by the U.N., according to a recent report.

Following the trend of 1975 money supply (currency in circulation plus demand deposits) rose by 64 per cent last year but in the first half of 1977 the rate slowed to 11 per cent. Expansion of bank credit followed almost exactly the same pattern. However, in the 12 months up until the end of June the proportion of advances made to the construction industry rose from 33.6 per cent to 37.6 per cent. With the property boom abating any marked fall in values could leave both developers and bankers over-exposed on this front.

Recently the Government set up a joint committee with representatives of a business community worried by signs of recession—ostensibly to study the health of the economy but more essentially to spread the official message that a slowdown is both desirable and beneficial. As Mr. Habib Kassem, Minister of Commerce, put it: "One

place of natural concern to the should not relate the economic activity of this year to the abnormal activity of the past three years." Heavy concentration on property development should not obscure the more durable contribution made by Bahrain's service industries—particularly banks, hotels and air communications—to balancing the state's payments. Last year saw a marginal rise of BD16m. in net official reserves held by the Bahrain Monetary Agency (taking into account a marked increase in foreign liabilities) despite a visible trade deficit of BD127.3m. Imports amounted to BD659.8m., a rise of nearly 40 per cent over 1975 which was largely accounted for by the import requirements of the Arabian Ship Repair Yard, shortly to be completed, and other construction projects. Exports were up 21 per cent to BD523m. most of it attributable to the refinery and sales of aluminium.

The surplus on oil account came to BD123m., a figure not including revenue from Abu Saifa. On the invisible account, a heavy liability was remitted by the expatriates in Bahrain, estimated by the Monetary Agency at BD40m. On the credit side there were the private and official inflows of capital relating to the construction projects. Rents paid by expatriates and their employers would have also been a by no means negligible factor.

ALBA's net foreign exchange earnings last year were estimated to be \$55m. It has also spawned ancillary atomiser and extrusion plants while a cable factory is being built. Bahrain has other promising industrial ventures planned for the "free zone" near the port of Mina al Sulman. On a different scale altogether is ASRY, the project of the Organisation of Arab Petroleum Exporting Countries which is to be formally inaugurated in December. Bahrain is a shareholder along with six other OAPEC members in the undertaking which is unlikely to show a profit for many years to come.

### Trend

Following the trend of 1975 money supply (currency in circulation plus demand deposits) rose by 64 per cent last year but in the first half of 1977 the rate slowed to 11 per cent. Expansion of bank credit followed almost exactly the same pattern. However, in the 12 months up until the end of June the proportion of advances made to the construction industry rose from 33.6 per cent to 37.6 per cent. With the property boom abating any marked fall in values could leave both developers and bankers over-exposed on this front.

Recently the Government set up a joint committee with representatives of a business community worried by signs of recession—ostensibly to study the health of the economy but more essentially to spread the official message that a slowdown is both desirable and beneficial. As Mr. Habib Kassem, Minister of Commerce, put it: "One

CONTINUED ON PAGE 11

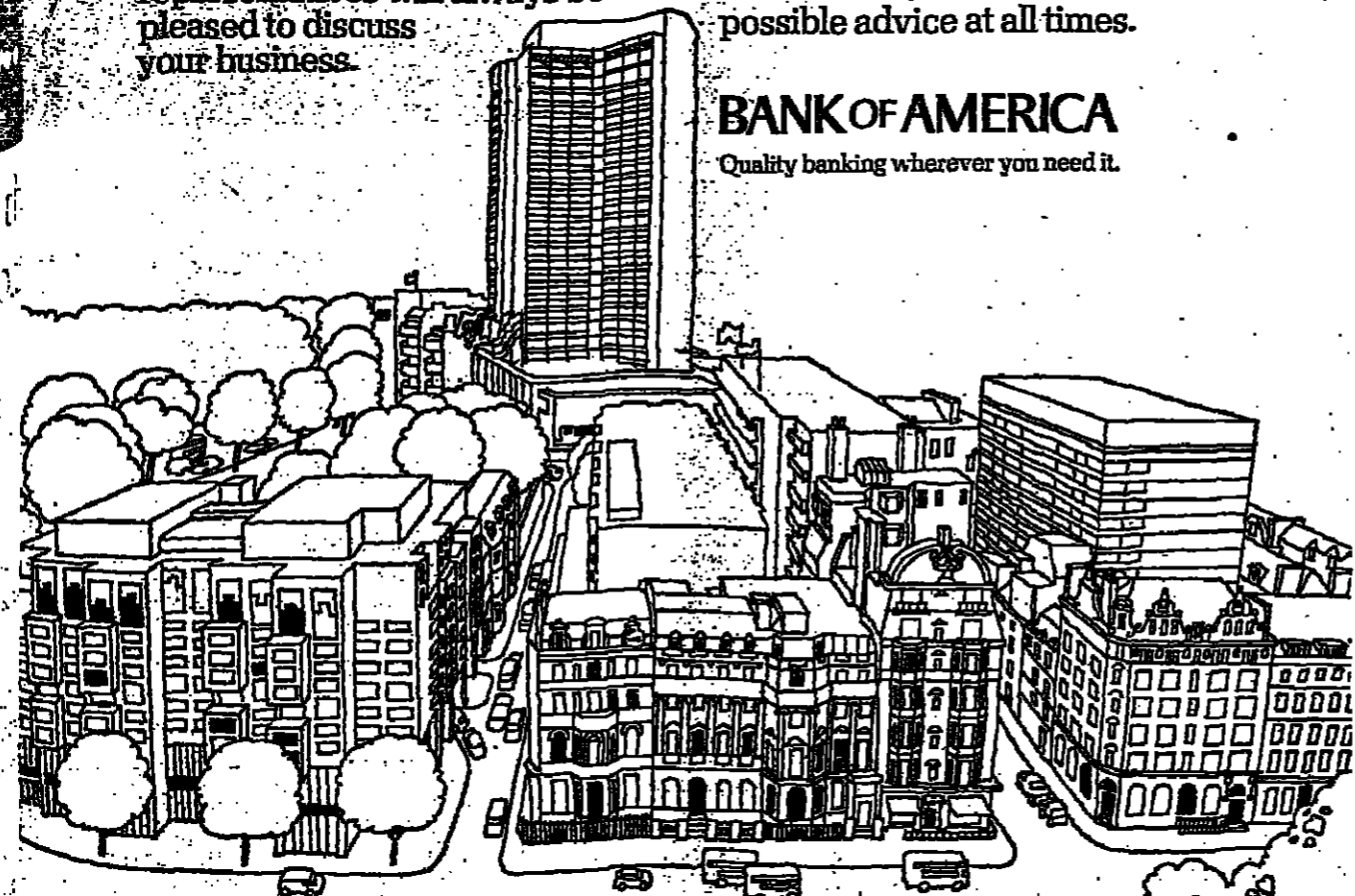
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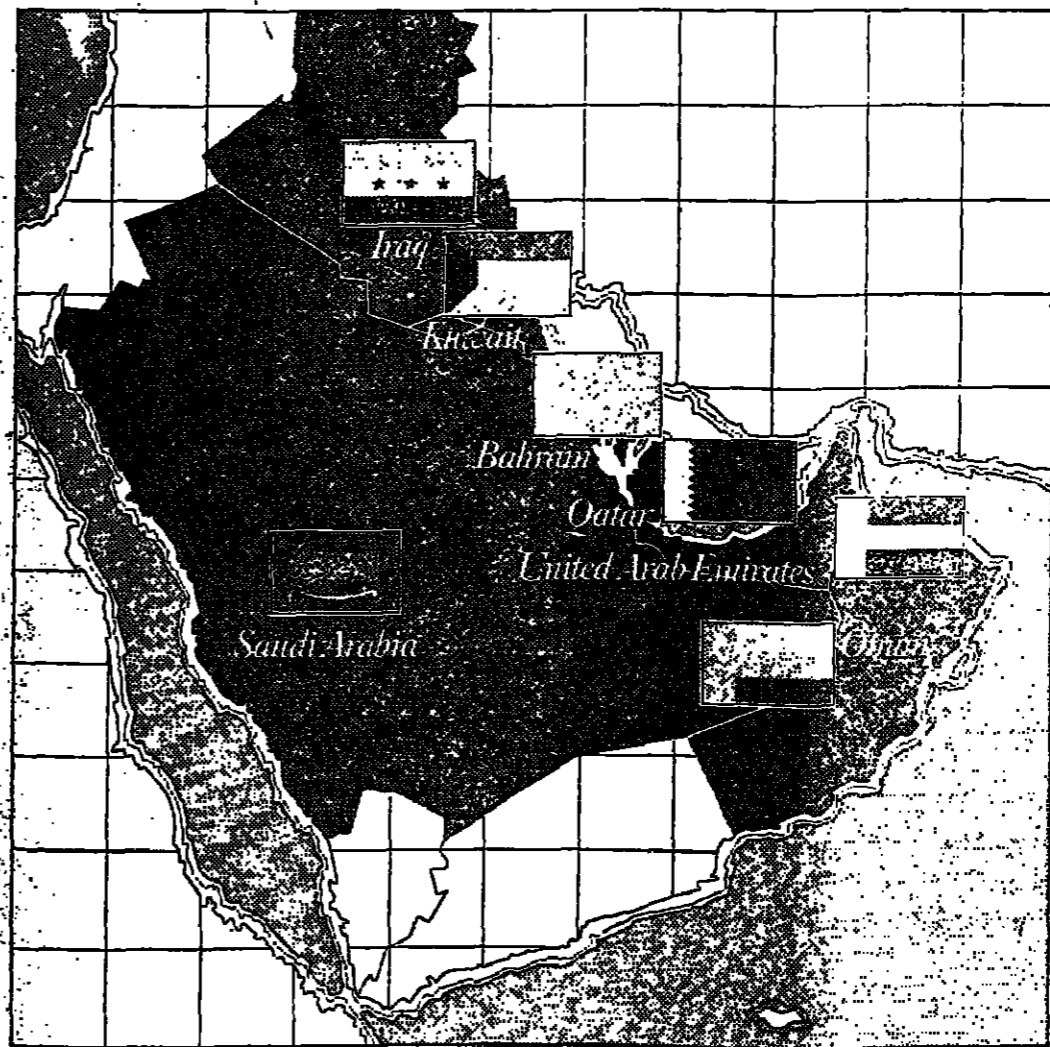


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ASSETS	Malaysian dollars		LIABILITIES	Malaysian dollars	
	30.6.77	31.12.76		30.6.77	31.12.76
Cash and deposits with banks	10,562,114	7,913,593	Loans and deposits	112,457,430	58,788,213
Loans and bills receivable less unearned income	95,104,237	51,856,187	Other liabilities	394,069	141,020
Investments	10,449,928	4,118,392	Guarantees on account of customers per contra	3,500,000	—
Fixed assets, after depreciation	856,893	283,311	Shareholders' capital and reserves	5,610,292	5,340,631
Other assets	1,488,619	296,358			
Liabilities of customers for guarantees per contra	3,500,000	—			
<b>Total assets</b>	<b>\$Mal. 121,961,791</b>	<b>64,269,869</b>	<b>Total liabilities</b>	<b>\$Mal. 121,961,791</b>	<b>64,269,869</b>

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ON FIRST sight the Bahrain Monetary Agency looks more like a pleasant family villa than a central bank. A child's cycle is often propped against the wall and local visitors are sometimes offered a couple of cantelowers from the garden as they depart. At the moment the BMA does not own a safe—it rents one down at the Chartered Bank—and relies on the latter to physically issue and redeem the local currency.

Including the gardeners the BMA's staff numbers no more than 40, but despite the modest scale of its operation—its total assets amount to the equivalent of \$360m—the BMA has developed into a very effective central bank. Relations with the banking community are close yet informal and friendly. The number of "bank returns" asked for is kept to a minimum, and any banker who is running too exposed a position in Kuwaiti dinars say, is likely to be personally rung up by Alan Moore, the BMA's director general, and politely asked what he intends to do about it. It may look unsophisticated to an outsider but the system works well and the BMA clearly has the full confidence of the local banking community which is more than can be said for the UAE Currency Board.

Until the appearance of the BMA in 1973 the banking community had been left pretty much to its own devices. The agency started to function properly on January 1, 1975, when the commercial banks moved their clearing accounts over from the National Bank of Bahrain, and since then it has operated just like any other central bank.

Its objectives and responsibilities are spelt out in great detail in the official decree 23 which runs to 40 pages and 112 articles and covers everything from the maximum term of imprisonment for a fraudulent

banker (two years) to the frequency of its own board meetings. Basically, however, the BMA's powers are as follows: it has exclusive responsibility for the note issue; it acts as the Government's banker; it manages Bahrain's official investment portfolio and, finally, it regulates the local banking system and the supply of credit. The agency is being closely supervised by the Bahrain Government during its formative years. The BMA reports directly to the Cabinet and during the initial five year transitional period the Prime Minister acts as chairman of the board and the Minister of Finance is the deputy chairman—only Bahraini nationals are allowed to be board members. After the five year transitional period the chairman and deputy chairman will become full-time executives of the BMA and will not be allowed to hold other jobs.

### Attention

While most attention over the past year or so has focused on the BMA's role in developing Bahrain's offshore banking enclave this only occupies about half Alan Moore's time as director-general. Along with his deputy, Abdullah Saif, Mr. Moore spends a large part of his day overseeing the more traditional functions of any central bank.

The BMA is split into four main departments. First of all there is the currency issue department. The physical distribution of notes still takes place at Chartered Bank's head office in the centre of Manama, but the department is ultimately responsible and apart from its routine business is studying, for instance, the possibility of issuing a larger denomination banknote. The present highest value of BD10 has remained unchanged since the currency was first introduced in late 1965 and now

comprises 80 per cent of the value of notes in circulation.

The second main department looks after the agency's foreign exchange and investment side and is run by Abbas Mahmood Radhi. Like most countries in the Gulf, the bulk of Bahrain's foreign exchange flows directly to the Government in the form of oil revenues and these have to be recycled to the private sector which has to pay for imports in foreign currency. Consequently the agency quotes daily rates for buying and selling dollars, sterling and German marks.

Whenever there is a shortage of funds in the money market due to large import payments or movements of capital the agency undertakes swap operations with the banks under which it provides dinars against dollars for a given period with a price designed to maintain orderly conditions in the market. At any one time the amount outstanding under these swap arrangements fluctuates between BD10m. and BD25m.

The heavy handed operation of similar swap agreements by the UAE Currency Board was one of the principal reasons for the UAE banking crisis earlier this year and in its latest annual report the BMA states that it gives "high priority" to the confidence which is created by its knowledge that it will act consistently in its swap operations.

Aside from its foreign exchange business another important part of the BMA's work is the management of its investment portfolio. According to its last balance-sheet the BMA held BD26.4m. of U.K. gilt-edged stock—slightly under a fifth of its total assets. Assuming it is still holding the same amount of gilts and given that the FT Government Securities index has risen by a third since the turn of the year the BMA should be sitting on capital profits of close to BD10m.—

roughly one and a-half times the BMA's published net profit last year. Clearly the BMA will have no problem paying for its smart new premises being built next door to the Hilton Hotel.

The third main department was divided in two late last year—banking services and banking control—and is headed by Rashid Ismail al Meer. The main functions of the banking services department are to administer the clearing operations, the computation of minimum reserves and maintaining current accounts for the commercial banks and government institutions. The volume of business has grown dramatically since the BMA was established. Last year the Clearing House handled an average 75,000 cheques per month and by June this year some 92,000 cheques were being cleared each month. Over the last 12 months direct interbank transfers have risen by 48 per cent in number and 74 per cent in value.

### Control

The banking control department, as its name implies, concerns itself with monitoring the banks' monthly returns and accounts. The BMA has supplemented this with a system of occasional random spot checks on local banks, similar in many ways to the U.S. bank examiners' surprise visits.

Finally, there is an economic research department headed by Khalifa Mohammed al Bin Ali. This department is mainly involved with collecting data on the economy and balance of payments. It also liaises with various international organisations such as the IMF of which Bahrain is a member.

On top of these routine functions, one of the main objectives of the BMA, according to its charter, is to "participate in the creation of a developed money and financial market." The BMA's active encouragement of the offshore banking community is discussed at length elsewhere in the survey but it has also been working hard to develop the local financial markets. Apart from the already mentioned swap facilities the BMA has played a key role in restructuring the borrowing of the government-owned aluminium company, Alba. This reduced Alba's financing costs and at the same time provided the local banks with a safe investment for their short term funds—something they are very short of.

In May, 1975, the BMA arranged that Alba would issue promissory notes at a regular competitive monthly tender to help finance its working capital requirements. These notes are for periods of one to six months and have proved very successful. Each month between BDSm. and BD4m. are offered and at any one time around

BD10m. are in existence. The local banks make about half a point over interbank rates on the notes. In February of this year the BMA extended the scheme to the offshore banks. Until then Alba had relied on a revolving credit raised in London on which it paid a margin of 1 1/2 per cent over labor. The offshore banks now tender for this credit and the margin has been cut to 1 per cent. Every month about \$30m. is outstanding. The degree of popularity for the Alba paper, as reflected in the way the monthly tenders are generally oversubscribed by six times.

The BMA has also tried to encourage local banks to issue negotiable certificates of deposit (CDs). One local bank has in fact taken a plunge but although the BMA is prepared to offer reduction facilities to dealers in the secondary market, the interest has so far been above the money markets. The BMA has also been trying to develop a local capital market although it would be the first to admit that it cannot create a market overnight.

It has played a key role in three BD bond issues. Although it did not participate in the issues, the BMA agreed to guarantee the availability of a secondary market in the issues. What worried market makers initially was that the might not be able to find sufficient dinars to finance their portfolio so the BMA has undertaken to swap BDs for dollars so that the cost to the market maker in BDs is no higher than the coupon on the bond. With out this guarantee most banks admit that the issues would probably not have been put together.

The next innovation on the BMA's list is the introduction of a specialised merchant banking licence. This will allow organisations such as the recently formed Bahrain Investment Company, which is modelled along the lines of the Kuwait International Investment Company, to develop merchant banking business both locally and offshore. To a great extent this can be done already by the OBU's but a special licence with perhaps the ability to incorporate a local subsidiary could be attractive to foreign banks for tax reasons. Many while several U.K. discount houses have been observing the development of the Bahrain market with interest and one a decent amount of high quality tradeable paper is in circulation Alan Moore will be happy to see the establishment of local discount houses.

William Hall

## A new type of expatriate

THE POST OIL price rise boom in the Gulf states—now in temporary recession—has created a new kind of Western expatriate with a new life style.

They are not the "colonial" expatriates of the past, coming in to administer and exploit new territories, but rather a superior form of *gastarbeiter* doing jobs that inhabitants of the host country cannot (or will not, vide Saudi Arabia's British dustmen) do. The traditional *gastarbeiter* role, doing the unskilled and dirty jobs, is taken by expatriates from the Indian subcontinent and increasingly from Far Eastern states such as Thailand, the Philippines and South Korea.

The work prospects abroad for these new Western expatriates has been effectively revolutionised by the developments in physical and telecommunications since the war. Any Briton who has the opportunity (money no object) to leave Bahrain after breakfast and be in London in time for lunch cannot be said to be so far from home—and the Concorde service has just returned to twice weekly flights. Even on subsonic flights the return to London is only some seven hours flying. Direct telephone dialling is now a reality to Britain and connections with Europe and the USA are being planned.

Add to that the general availability to the Western expatriate of almost all the foodstuffs, books and liquor he was used to at home—not to mention the television programmes if he can rig an aerial to receive Aramco TV from the Eastern province of Saudi Arabia—and Bahrain hardly seems a hardship posting.

The climate, of course, is far from ideal. The humidity levels are too high to be pleasant even during the cooler months of the year and for two or three months of summer the sun is burning hot. But air-conditioning at home and the frequent sea breezes on the coast do mitigate the effects a little. However, very soon the new Western expatriate falls into the "Gulf-Western" style of living which centres round the clubs, the hotels, the societies and

various outdoor activities such as tennis, rugby, diving and sailing.

One local wit has calculated that with 40 offshore banking units celebrating their arrival or anniversary, the representative offices making their presence known and the odd party by a contractor who has just won a contract, there should be at least two cocktail parties a week at the Gulf and Hilton hotels from October through to March.

### Waiting

There are long waiting lists for membership of the two main clubs, the Dilmun and the British, but the bankers in Bahrain have now set up their own club and are soon to put out the tender for renovations and additions—such as swimming pool, tennis court, squash courts, etc.—to the premises they have leased in the green country area near Boudaiya.

A prime function of the clubs is to provide entertainment facilities for the children. A large number of Western expatriates are between 25 and 35, with children of primary school age. Swimming pools are therefore a necessity for many people as are the organised, out of school activities, run by the private primary schools.

The major hotels, too, have made "clubs" of their sporting facilities, mostly swimming pools and tennis courts. The Gulf, the Hilton and the Delmon (which is being very elegantly refurbished by British architects, designers and contractors in old Bahraini style) also compete for custom with speciality nights.

These usually take place on Thursday evenings (the Gulf equivalent of Fridays) around the pool area. Last year's craze was for Arabian style barbecues where the food was followed by such grown up English party games as tags of wax across the swimming pools. All the hotels also insist on having a band in their main dining rooms so that dinner dancing is possible every evening. The newly opened Ramada hotel has the most night-clubby style dining

room and also the only one where the diners can hold a rational low toned conversation after the band has started.

In the next two years there promises to be considerable overcapacity of hotel facilities which can be of benefit only to the expatriate and Bahraini communities alike as the hotels seek to differ from their rivals. Already the Delmon hotel is offering weekend package deals and the Hilton has a secretarial services bureau on the premises. The Gulf, however, still has the best cook—Gulf-wide.

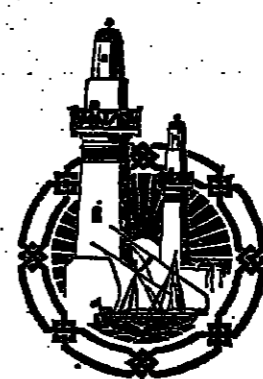
The food in the hotels is standard international hotel cuisine with Lebanese-Arab overtones. But the new Le Vendome hotel is promising to live up to its name by introducing a more distinctive, French-style menu—it is being run by the Mirza brothers who also run the Pearl Restaurant/night club in Bahrain and the Kuwait Tower restaurant in Kuwait. The smaller Tyios hotel also has some excellent Indo-Pakistani dishes on the menu.

It is on the whole not a bad life for the majority of Western expatriates, most of them cushioned against the expense of living in Bahrain by rent-free accommodation, office cars and air tickets back home (and maybe help with secondary school fees). Many wives have part-time jobs, adding considerably to the income.

There are, however, a few who have come out "bachelor status" but with wives and children, or who have come out just on spec to see whether the streets of an oil state were paved with gold. For them life is rather harder. But it is hardest of all for the workers from the Indian sub-continent, brought in by labour contractors to whom they pay fees, and with little idea of the cost of living in the Gulf compared to home before they leave. Bahrain's Ministry of Labour is considering introducing a minimum wage which should alleviate their lot.

Doina Thomas

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# Brokers broaden the market

PART OF the credit for the rapid rise in Bahrain's stature in the international financial markets must surely go to the small group of local money brokers. By being prepared to operate seven days a week and for periods of up to 12 hours a day, they have helped turn Bahrain into a much more professional trading centre.

The number of overseas banks prepared to deal with Bahrain OBU's has grown enormously over the last 18 months and the sharp reduction in dealing spreads in local currencies is evidence of the increasing competition the brokers have helped foster. They have been highly instrumental in widening the local market and have actively supported the fast growing forward market in Saudi Riyals and Kuwaiti Dinars. While Bahrain cannot yet hope to equal the range and depth of the foreign exchange markets in London, it does offer a viable and convenient alternative and it would be unwise to neglect the brokers' important contribution to this development.

Not that the brokers' efforts have been completely altruistic. A number of big London brokers had been dealing directly with the Gulf for some years and there comes a time when the volume of business and the inconvenience and cost of operating direct from London dictates a local presence. These days money broking is a 24-hour day, seven days a week business and for brokers the Gulf has two big advantages.

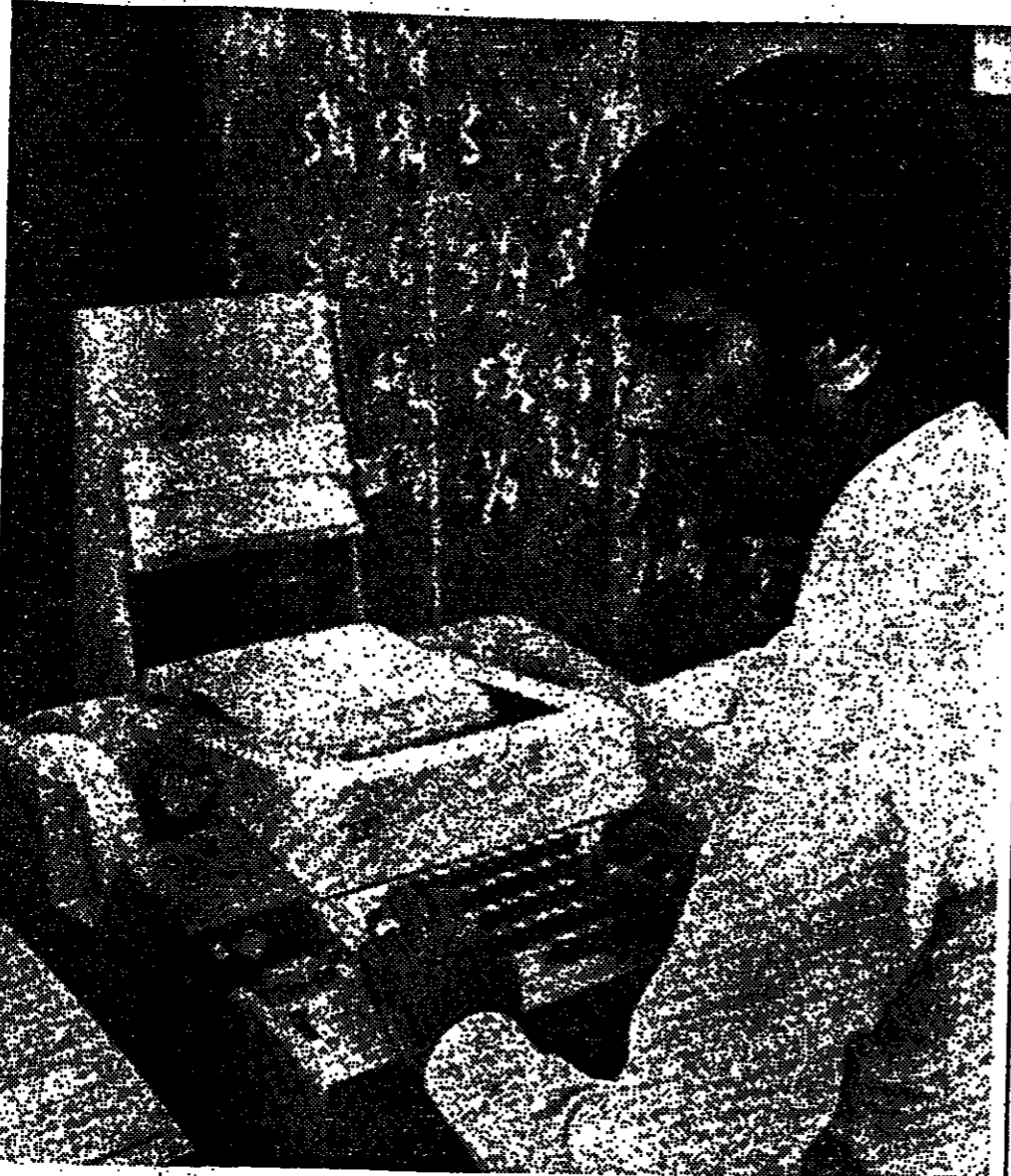
In terms of time zones it is located mid-way between Singapore and London and consequently offers a useful staging post. If it is 3.30 p.m. in Bahrain it is 8.00 p.m. in Singapore, 1.30 p.m. in London and 8.30 a.m. in New York. Bahrain conveniently straddles the closing of the Far East markets and the opening of the North American markets.

The second key advantage for the brokers is that Bahrain is open over the weekends when other major foreign exchange centres are closed and this extent it is unique. Admittedly the volume of business done over the weekend is not as high as in London, but it is noticeable that Algemeine Bank Nederland (ABN), for example, notes that New York and Hong Kong dealers sometimes come into the market over the weekend if they need to cover their positions.

Twelve months ago there was considerable uncertainty over the Middle East capital market and the local Bahrain exchange centre, Dubai, as being canvassed because of its substantial entrepot trade which formed a natural basis for commercial foreign exchange business.

**Combination**  
But a combination of factors has tipped the balance in Bahrain's favour for the time being. The so-called "Dirham crisis" earlier this year has led to a marked reduction in deal-making in this local currency and has reduced the attractiveness of Dubai; added to which the increasing number of OBU's has widened the Bahrain foreign exchange and deposit market and has encouraged the use of tele-communications with other Gulf areas in the Gulf means that it is not particularly reluctant to talk of any one centre as the Gulf as the ideal base for a broker.

dom. In practice, it has been difficult to find the necessary recruits locally and sponsors have had to search them throughout the Arab world. The Bahraini Government is contemplating any other diversifications of this kind. Concern about the emergence of an industrial proletariat and the risk of further industrial unrest would be one factor. A second is the need to preserve natural gas resources for the generation of power and water. A third reason is the desirability of economic co-ordination with the Gulf, especially with Saudi Arabia, with its special interest in Bahrain's health. Mr. Youssef Shirawi, Minister of Development and Industry, has confirmed again recently that future emphasis will be on specialised services. As a regional centre, Bahrain's position will be enhanced further by the construction of the \$825m. causeway linking the islands by road to Saudi Arabia and the countries on the Trans-Arabian Highway beyond it. The project, undoubtedly, will bring Bahrain heavily under the influence of the Kingdom, which is the economic benefits to Bahrain should be correspondingly — not in the least — for the OBU's which have been developing their



A Bahraini foreign exchange dealer operates a telex in First National Citibank's office.

Like so many places in the Gulf, Bahrain is an expensive centre from which to operate. In addition to the high cost of living, open telex lines cost BD1200 per month and at \$250 per hour, open phone links with London are an expensive, but necessary, item. Consequently, brokerage charges, as in most offshore centres, are considerably higher than those in London. On foreign exchange transactions the charge tends to be \$50 per \$1m. whilst deposits, the margin is 1/32 of one per cent against 1/50 of one per cent in Europe.

Some of the more established banks balk at paying these rates but there appears to be sufficient business to warrant the opening this summer of a fourth broker, Charles Fulton (Gulf). In common with the other brokers Fulton has had to agree to majority local control. The London parent owns 49 per cent, Bahrain Markets 30 per cent, Bahrain Financing 11 per cent and Mohammed Zubari, a local businessman owns the balance — 10 per cent.

The chairman of Fulton's Bahrain operation is Sheikh Sulman bin-Khalifa bin-Sulman al-Khalifa, a son of the Prime Minister. In fact the al-Khalifa family are Bahrain's ruling family, are well represented in the Bahrain foreign exchange and deposit market and have encouraged the use of tele-communications with other Gulf areas in the Gulf means that it is not particularly reluctant to talk of any one centre as the Gulf as the ideal base for a broker.

est Bahraini traders, is the New York market opens at about 4.0 p.m. Bahraini time and local brokers deal with this market for another three hours or so and banks from as far afield as Fort Worth, Texas are to be found dealing with Bahrain OBU's.

It is difficult to generalise about the volume of dealing being carried out from Bahrain. Banks do a considerable amount of business between themselves which the brokers never see. But there are signs that while the absolute volume of business has probably increased as more banks have become involved in the market, individual bank's dealing operations have not expanded as quickly as first hoped.

**Crisis**  
The Dirham crisis earlier this year came as quite a shock to some newcomers to the local currency market. At one point, overnight Dirham rates went as high as \$50 per cent and a number of banks were forced to close off their positions very quickly and cut their losses. As a result, brokers estimate that active trading in Dirhams has dropped by 60 per cent in the United Arab Emirates and by rather more in Bahrain. Over at ABN, for example, Dr. Knoester estimates that the total volume of Dirhams being traded currently is a fifth of what it was six months ago. Dealers seem to have cut back on the amount of speculative dealing they are involved in and are now concentrating more on commercial foreign exchange transactions. Generally, brokers believe that OBU's are running much smaller speculative positions than they were last year.

A common complaint among the broking community is that the smallness of banks' dealing limits is hindering the development of the local market. But after Lloyds' upset at Lugano and Credit Suisse's recent massive losses at Chiasso, banks can be forgiven for allocating tight dealing limits to their local branches.

However, another problem for the brokers is the deterioration of some telecommunication facilities. The increasing burden of business, especially with Saudi Arabia, has not been matched by a simultaneous improvement in the telex and telephone links and some brokers privately admit that it is often easier for their London offices to contact parts of Saudi Arabia. The average waiting time for a telephone call to Saudi Arabia is 30 minutes according to one broker. They stress that while it is alright to rely on telex communications for deposit business when payment may be scheduled for three days hence, this type of contact is far too slow and unreliable for foreign exchange business and voice contact is all important. Unfortunately while the Bahraini authorities have taken great steps to introduce the most efficient telecommunication system into their island, the number of internal lines in Saudi Arabia has not been increased to the same extent.

Beyond that, it must be recognised that Bahrain still has its limitations as a financial centre. It has no merchant banks nor discount houses operating at present. However, the first issue of Bahrain Government bonds may help lay the basis for a secondary market apart from the state's revenue problem. Earlier in the year there were three Bahraini bond issues on behalf of Mexico, the Philippines, and the Algerian State Shipping Company (CNAN). As a financial centre, Bahrain is still evolving and could yet develop into the regional capital market that the Arab world has always lacked.

William Hall

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## Regional

CONTINUED FROM PAGE 1

Financial services are now reckoned to be responsible for anything up to 10 per cent of Bahrain's GNP. The OBU's own direct contribution to the economy through local spending is now probably in excess of \$50m. Moreover, there is evidence that their presence there will have the "magnetic effect" predicted by Mr. Alan Moore, director-general of the Monetary Agency, whose dynamism has had so much to do with the success of the initiative launched two years ago. Apart from related financial services, in immediate prospect is the appearance of other off-shore trading companies.

Based in Bahrain is the Gulf International Bank, owned by the seven Arab oil-producing states of the region. It is now functioning fully having participated in \$355m. worth of medium-term loans so far. disappoiningly for the OBU's, no official surpluses have been channelled directly to them so far. Their main preoccupation is still foreign exchange dealing. Bahrain is still evolving and could yet develop into the regional capital market that the Arab world has always lacked.

## Functioning

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COMMERCE HAS always been regarded as an honourable and rewarding way of life in the Gulf. The Bahraini merchant families whose trading dhows once sailed to India and down the coast of East Africa to Zanzibar, later negotiated exclusive agencies to import the machinery, construction material and consumer goods demanded by the exploitation of mineral resources and by accelerating industrialisation.

To-day, they send their sons to the West to become bachelors of economics and masters of business administration. In order to put their expanding empires on a systematic footing if the family business was less of an institution in Bahrain, there would be many more bright young executives willing to sell their talents on the open market.

Because of the rapid influx of banks and their attendant service companies to Bahrain, good clerical staff is scarce. Potential foreign exchange dealers, bank officers and financial managers are scarcer still. When the offshore unit of the Bank of America arrived 18 months ago, the manager interviewed 300 people and hired 11.

Some 1,900 young men and women graduated this summer from Bahrain's secondary schools, but up to half of them will continue their education abroad for four years, or longer. Of the remainder, many will be attracted to further training for teaching, the health services, or for employment in large private sector companies such as Bapco, Alba, Cable and Wireless and Gulf Air.

The most promising source of apprentice labour for the financial services is the commercial stream of the general secondary schools. The first commercial class was added to Manama Secondary School for Boys in 1952, for a maximum of 15 students. Their numbers grew steadily until last year 559 boys were participating in three-year commercial courses at the two centres in Manama and Muharraq.

Places for another 700 boys will be created by 1980 in the commercial section of the new technical school to be built by the Government of Saudi Arabia, near Isa Town. Two more classes for girls, making 21 in all, will open in the forthcoming academic year, and a purpose-built commercial school is projected for them in Rifa'a.

The commercial syllabus includes: general subjects: English, Arabic, religious studies, and history and geography with an economic bias; and vocational subjects such as book-keeping, accounting, business arithmetic, office practice and typewriting in both Arabic and English.

Since 1974 when schools began to lay greater stress on English language, students have been sitting for elementary external examinations as well as the commercial section of the secondary school leaving certificates (tawjihya) recog-

in most Arab countries. The three-year business studies course leads to the Ordinary Certificate in Business Studies (OCBS), jointly organised by the London Chamber of Commerce and RSA. As the equivalent of the Ordinary National Diploma in Britain, it is the stepping stone to higher courses recognised by accounting institutes and other professional bodies.

One school centre for each sex now has not only a language laboratory but a "commercial laboratory" equipped with tele, telephone exchange, banking machine, photocopier, calculator — every mechanical aid likely to be found in a modern office.

The four secondary schools' commercial facilities are used after school hours by nearly 300 adult part-timers. The teachers are frequently drawn from banks, accounting firms and other business concerns, and the service cost the Ministry of Education around BD120,000 last year — but there is no fee for students. Many of the girls had previously left school with a tawjihya in arts subjects, only to find they had no job qualifications.

**Changing**

Most girls in urban schools to-day do expect to work outside the home, according to Ministry of Education officials. Changing attitudes have been accelerated by the rising cost of living, and a working wife is both a financial and social asset. There has been a marked rise in the number of women to be found in banks, government offices and private sector companies even over the past year, and Director of Labour Khalifa Khalaf estimates that 8 per cent of women of employment age are now at work, compared with 5 per cent 12 months ago. Nevertheless, there are still families who permit their daughters to work only in a single-sex environment, while the majority of married women are busy enough raising an average of five to seven children.

The increasing attraction of women into the business world is illustrated by the enrolment at Bahrain's Gulf Technical College. For the two-year secretarial course, the intake has been doubled to 48, but the applications for places are nearer 100. All are girls, eager to obtain Pitman's and Royal Society of Arts (RSA) qualifications in shorthand, copy typing, English language and office practice. Girls also crowd into the afternoon and evening secretarial classes, and there are no more than one or two male students among more than 60. Qualified bi-lingual secretaries can expect starting salaries of BD150 a month, unless they opt for shorter government working hours.

But while the secretarial classes have always catered mainly for girls, a striking change has taken place in the enrolment pattern for the Department of Business Studies, where the female intake for full-time courses has jumped from 25 per cent two years ago, to 75 per cent. The fact that there has not been a compensatory rise in the number of male students applying for engineering courses is viewed with some alarm.

The College also runs short courses in store-keeping, office practice and business arithmetic. An 18-week course divided into three modules leads to a College certificate in supervision and management, the entry qualification to a further 14-month course recognised by the Institute of Supervisory Management.

A new business studies building at the Gulf Tech is due for completion in time for the 1978-79 academic year, and will provide 18 additional classrooms, purpose-built facilities for audio-typing, mathematics and statistics and a language laboratory. A projection room and a conference room for management studies are included.

It has long been planned to establish a higher diploma or degree course in business studies as soon as facilities and suitably qualified students are available for it. But the big breakthrough, as far as the College is concerned, has been the success of day-release education. The Ministry of Health has led the way for Government departments, and Bapco, Alba and Brown and Root have been foremost among industrial companies in sponsoring employees for one or two days of study during working hours.

Management supervisory courses have been particularly well accepted, and the Civil Service Bureau and the Bahrain Defence Force have shown interest in a programme tailored to their specific training requirements. These developments could be taken to indicate that while hopes of turning the Gulf Technical College into a regional university are sanguine, it does have a vital role to play as a polytechnic.

Banks hope to find a number of their potential executives from the ranks of OCBS graduates, but whether recruits come from school, college or other jobs, retail banks in particular often set their own selection and aptitude tests. These usually include English, arithmetic and general knowledge; the British Bank of the Middle East uses Professor Raven's matrix test, a non-verbal reasoning test of considerable difficulty. This bank has been running a "cadet training scheme" for the past 15 years, by which they employ 20 to 30 school students from the banking law.

CONTINUED ON NEXT PAGE

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# Communications under strain

THE SUDDEN influx of offshore bankers into Bahrain during 1975-76 placed a great strain on the island's communications facilities. Frequent travellers and great users of telephone and telex, their arrival accelerated many plans for the development of Bahrain's communications services.

There was a time last year when observers wondered whether the air and telecommunications facilities on and around the island would keep up with the demand placed upon them. This year it looks as though the communications service industries may be able to do the day when they can be little ahead of demand.

Bahrain Telephones now claims that its backlog of work is being kept at a steady level and that next year it should actually be able to make inroads into the mountain of work. Unless of course the Bahrain government creates another year—by about 60 per cent. (the number of companies to be island.)

Bahrain Telephones expects the number of customers to double in the next four-five years and points out that it took the I.K. telephone system 20 years to triple in size. At present the company has some 18,400 customers and expects to be serving nearer 36,000 by early 1982. This poses the company with both physical and managerial problems not normally experienced by telecommunications companies outside the developing world.

**Prongs**

The two main prongs of the company's development plans for the next four-five years are the upgrading of its cable network and the installation of a number of new exchanges. It has a \$100m. development budget for exchange equipment, lines and other plant, and also to lease the land on which to build exchanges.

"Tripling our capacity is really the maximum we can hope to achieve," comments one senior manager. "Already we have had to increase top management to cope with the workload." Marketing its services is really the least of the company's problems at present.

In the past year the company has heavily concentrated its efforts on servicing the business needs of the business community, so the backlog of work is mostly for the residential sector. However, a certain priority is still given to the business community to keep abreast of its increasing needs.

One new 4,800 two-pair cables are planned for the main business area of Manama, a further one for the mixed residential/business area of Gubayba and a 900-pair cable for the port and industrial area of Juffair.

The influx of Western expatriates and the upgrading of the living standards of middle-class Bahrainis has led to a great deal of residential development outside the "ghibli" of Manama, the bulk of it loosely associated with the towns of Jiffa and Boudaiya. These are new would-be subscribers who have in some cases had to wait up to a year to get a telephone. New exchanges are planned for Rifa'a, where a 800-line extension to the exchange is planned for installation next year, and Boudaiya Bank of America, for example, has extensive plans for computerisation when it moves into new premises. It plans to have a direct link with London by a dedicated line which will be able to carry telex, voice, or computer print messages.

International telex traffic has grown considerably with the advent of the offshore banks. Calls measured in minutes in August, 1976, totalled 175,000—the comparable figure for August this year is 240,000. Internal traffic has grown too, from 16,000 minutes in August last year to 42,000 this August—largely banks and brokers talking among themselves.

For the physical aspect of communications a new service company was quietly set up in Bahrain at the beginning of August. Its creation marks the importance the government attaches to Bahrain's communications services to the Gulf area.

**Unromantic**

The company is called Bahrain Airport Services and its functions cover all the unromantic aspects of airport business—aircraft handling, ramp engineering, aircraft and terminal catering services, maintenance of ground equipment. "We want to offer a more co-ordinated service to the airlines using Bahrain International Airport," says Fouad Habiby, general manager of the new company, "the government wants Bahrain to retain its position as the premier airport in the Gulf." The creation of this company also highlights a decision by Gulf Air to concentrate on running an airline and to divest itself of various service functions it has acquired in recent years.

Gulf Air appears to be drawing in its horns a little after the very rapid expansion of the past two years. In the last week of this month the airline plans to cease flying to Amman, Athens, Beirut and Larnaca and it will also cut its flights to London from 15 to 16 a week. However

on the plus side Concorde will shortly be operating twice weekly London-Bahrain-London flights again and some other major European airlines are expected to ask for landing rights in Bahrain.

Lufthansa and Sabena are two of the airlines thought likely to bring at least one flight a week to Bahrain and approaches from the Major Far Eastern lines are also expected. "Bahrain is now a main stop for the major trunk route operators," Fouad Habiby claims with some pride. Gulf Air, Qantas, British Airways and Singapore Airlines account for a sizeable amount of the movements at the airport.

Middle East Airlines (MEA), too, is back in top form with daily flights (except Fridays) to Beirut for onward connections to Europe. Its flights leave Bahrain at a civilised hour in the morning and while travelling to London, say, may take the best part of a day because of the transit at Beirut, there are sufficient old Middle East hands, with memories of MEA before the Lebanon's troubles, to virtually fill the flights out of Bahrain.

There are now 27 scheduled airlines using Bahrain compared to 23 a year ago and on average the airport receives ten jumbo planes a night (the climate makes late evening or early morning flights desirable for the wide-bodied jets). Bahrain Airport Services has \$2.5m. to spend on new equipment for servicing planes in the near future. It also plans to replace all the airbridges and bring the total in use up to six in the next two or three years.

Inside the terminal itself there have also been improvements in the past year. There are more refreshment facilities and a better duty free shop. The terminal was originally designed on a modular basis so that it could be extended without great disruption to the existing facilities and without looking unbalanced afterwards. So far it has worked.

**Staff**

CONTINUED FROM PREVIOUS PAGE

Under a technical assistance agreement with Irving Trust Corporation, five specialists have visited NBB to train staff in specific banking operations, and more are coming. There are also plans to send employees abroad in 1978, possibly for academic qualifications as well as professional training in associate banks. Women, incidentally, are just as likely as men to qualify for these training assignments. They are accepted on their own merits and by next year they are expected to number 30 per cent of the total staff, instead of 20 per cent as at present.

Offshore banks find the staff situation even tighter than the retail banks, because they are looking for people with the flexibility to learn a new job. They are not impressed by the potential of a bank clerk who has performed the same function safely and adequately for the past five or ten years. On average, they expect to interview five applicants to find the young, ambitious and articulate type they require.

"One of the things we found lacking in Bahrain was the feeling for a career," commented Mustafa Serageldin, vice-president of Bank of America. This can lead to a high turnover when a new bank comes in—some staff will move for the immediate benefit of an extra few dinars a month. Another brake on the full development of career potential is the division of loyalties when a man has a second job, or runs a family business, in the afternoons.

The incentives to make good in an offshore bank are strong. Bank of America recruits staff at around 80 per cent above their previous salary, and top performers can expect to earn a further increase of up to 45 per cent in their first year. "We are paying a premium, but in return we expect more," Mr. Serageldin said. Errors due to lack of ability or training could cost an offshore bank, who deal only in large sums of money, very dearly.

Every employee is expected to be conversant with two or three different functions. There them. But "social insurance is a manual for each, and B of A has brought out training such it is a totally new expert-specialists from its branches in Europe and the Middle East to cater for the specific needs of the Bahraini OBU. Next year, three key staff are to be sent to


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Mr C. S. Longsdale

The Social Insurance Law still applies only to firms with a minimum of 1,000 employees, so bank staff have not yet had a chance to assess its impact. Many of those already covered by in-house provident funds have expressed unwillingness to assign their terminal benefit rights to the General Fund for Social Insurance, when their turn comes to contribute to the national scheme. It is true on a large scale, the Fund will be deprived of an important source of assets.

A senior management representative, commenting on the prevalent attitude, pointed out that under the bank's existing schemes, employees knew that whenever they left, they took an immediate cash bonus with them. But "social insurance is a life-time commitment, and as A has brought out training in force for the people of Bahrain, Europe and the Middle East to cater for the specific needs of the Bahraini OBU. Next year, three key staff are to be sent to

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BAHRAIN BANKING AND FINANCE VI

# Offshore enterprises

IT IS just two years since the Bahrain Monetary Agency first announced its offshore banking plans and since then the progress has been remarkable.

Citibank and Algemens Bank Nederland, which had been operating in Bahrain for some years, opened the first two offshore banking units in December 1975 and transferred \$1.7bn. of assets onto their books. Since then the number of banks operating has risen to 34 (another five are in the pipeline) and the total footings by end-September had risen to \$12.5bn. At present OBU assets are growing at a rate of \$0.5bn-\$1bn. a month so it will not be long before Bahrain ranks on a par with Singapore's offshore market which stood at \$18.9bn. in August.

It is hard to find a realistic yardstick to measure the size and influence of offshore centres because of the shortage of useful statistics. The only source is the Bank of England's quarterly bulletin which measures the external liabilities and claims of U.K. banks and certain other institutions in foreign currencies.

According to these figures Bahrain ranks fourth in size in terms of U.K. liabilities with offshore centres, after the

Bahamas, Cayman Isles and Hong Kong. On the other side of the balance sheet U.K. banks have £1.7bn. on deposit with Bahrain OBUs. These figures only cover the activities of London-based banks but given their importance in international banking they help put Bahrain into context vis à vis other offshore centres.

Clearly Bahrain has firmly established itself on the international financial scene in a remarkably short space of time. To-day, six of the ten largest banks in the world operate offshore units. Seven of the ten biggest U.S. banks have OBUs, as have 14 European banks, and four major Arab consortium banks. Institutions from as far afield as Brazil and Korea have opened up offshore and the decision by the United Bank of Kuwait and the National Bank of Abu Dhabi to operate in Bahrain's offshore market is indicative of the growing support of neighbouring Gulf governments.

Over the past 12 months Bahrain OBUs have become familiar counter parties in financial centres around the world. The Bahraini Dinar bond market has made its debut. And a number of medium-term syndicated credits have been partly arranged by, and mostly syndicated with, the Bahrain OBU. People are starting to put together deals in Bahrain. Only last month BAIJ (Middle East), with the help of its Paris head office, led a \$200m. three-year floating rate loan for the Ruler of Dubai. Considerable local autonomy has been delegated to certain OBUs and they are taking full advantage of the opportunity to widen the range of services and skills they can offer locally.

Bahrain has added a new dimension to the local Arab banking community. Kuwaiti banks now have a handy market where they can lay off their surplus dinars and not have to worry about the exchange risk involved in placing them in the London eurocurrency market. No other centre in the Gulf can provide a market in international foreign exchange with as much depth as Bahrain—the forward market, for example, has soared from \$0.5bn. to \$2bn. over the past year. But what of the OBUs themselves, are they making money?

Bahrain is an expensive place to operate, there is no doubt of that. As a rule of thumb it probably costs around \$1m. per annum to run an OBU with 15-20 staff. Bank of America, for example, employs 42 staff and its annual budget of \$1.5m. is expected to rise to over \$2m. next year. Bankers estimate that it costs upwards of \$100,000 per annum to station a fairly senior calling officer in Bahrain (including a travel budget). With these sort of overheads an OBU clearly has to generate business fairly quickly. Assuming a spread of 1 per cent, an OBU is going to find it hard to rely on money market operations to pay the rent. However, most OBUs already have a fairly sizeable loan portfolio which has often been transferred from elsewhere and on which they probably earn margins of 1 per cent. plus. Assuming a loan portfolio of \$100m. and a money market book of \$50m. say, an OBU should be profitable.

According to Alan Moore, around 40 per cent. of the total OBU assets can be loosely defined as medium-term lending (the balance is money market operations), and about half of all OBUs have footings of over \$250m.—very few have less than \$100m. Against this sort of background it seems likely that most OBUs are profitable.

By contrast it is more difficult to assess whether all OBUs are generating new business for their bank, as opposed to re-channelling some of the existing business which had previously been done through head office. If a banker can locate 100m. Saudi Riyals in London why pay him ten times the salary and post him to Bahrain?

## Cheap

One myth that has to be dispelled about Bahrain is that it is a cheap source of Arab dollars. So far the bulk of official Arab oil revenues (say \$40bn. per annum) bypasses Bahrain and is placed direct in London and New York. Bahrain OBUs are net takers of dollars from the Euromarket—so much so that Citibank's large Bahrain Eurodollar trading operation works European hours. Citibank is funding a dollar portfolio of around \$3bn. from Bahrain but only 15 per cent. is raised locally. The rest comes from Europe, Nassau and Singapore. Most other banks do not have anywhere near as big a book as Citibank to fund, but it is clear that Bahrain is still very dependent on the Eurocurrency markets for funds—less than half all OBU liabilities are due to Arab countries. True, the Arab Government-owned Gulf International Bank, which is headquartered in Bahrain, is channelling some of its deposits belong to shareholders) through Bahrain. But most bankers one speaks to are disappointed that SAMA, for instance, is not more visible in the local market. Alan Moore argues that local banks would not know what to do with the money if SAMA started putting large chunks through Bahrain.

only London and New York can handle that size of money. Maybe, but it would be good for morale if at least SAMA tried.

The BMA is keen to see that Bahrain does not get a reputation as a market that has to pay a premium for funds. Generally, when rates are rising, Bahrain OBUs can raise funds at as fine rates as their parents but if more U.S. banks transfer large loan portfolios to Bahrain for tax reasons there will, in the absence of a marked change in Arab depositors' habits, be pressure on banks to pay a premium. Significantly, the proportion of Citibank's large Bahrain dollar book funded locally has fallen from 40 per cent. to 15 per cent. over the past year.

The next problem facing OBUs especially those new to the area that do not possess a ready-made Gulf branch network like ABN, Chartered Bank and Citibank, for example, is the difficulty in identifying good lending opportunities. However optimistic one is, there is no denying that the Gulf has a surplus of funds and an acute shortage of good local credit risks.

There is a limit to the number of new hotels a bank can finance and the heavy bias towards real estate financing is greater than many banks are happy to accept. Grindlays has put together a syndicate loan for a Jordan Hotel, Manufacturers Hanover has established locally, capable done one for the local Sheraton

of dealing in very sizeable amounts of money on margins as fine as those in Europe. But where do the OBUs go from here? Will Bahrain remain a money trading centre—a beefed-up Nassau—or will it develop into something more important? There are plenty of able bankers, both Arab and expatriate currently based in Bahrain who could form the nucleus of a far more sophisticated financial community. They argue that there is a limit to the number of aluminium smelters, dry docks, etc. which can be built with the Arab oil revenues. It is the final analysis, Arab investors will have no alternative but to invest the bulk of their money in financial assets and will, consequently, want control of the financial institutions controlling their financial assets. Brazil wants to borrow Arab dollars, why should it give the mandate to a London bank and not come direct to an Arab institution, such as Gulf International Bank?

Developments of this sort do not occur overnight but they are already signs of pressure in this direction—witness the way Arab consortium banks are muscling in on the lead, managerships of a growing number of Arab Eurocredits. However, in the final analysis whether or not Bahrain matures into the Gulf's financial centre will depend on the political patronage of the local Government.

It is relatively easy to transplant a money market to the Gulf but it is far harder to turn it into a proper capital market with fully fledged merchant banks, discount houses etc. If this is to come about, Bahrain will have to receive more political support from its neighbours than it has had in the past.

W.H.

BAHRAIN OBUs  
Source and Use of Funds

Sm.	1976				1977	
	June	Sept.	Dec.	March	June	Sept.
<b>ASSETS</b>						
Arab Countries	1,150	1,665	2,387	3,302	4,456	—
North America	63	72	18	67	75	—
Western Europe	878	1,162	1,129	1,939	2,372	—
Offshore Centres	727	1,091	1,241	1,525	1,612	—
Other	684	1,125	1,364	1,648	1,922	—
<b>TOTAL</b>	<b>3,502</b>	<b>5,115</b>	<b>6,214</b>	<b>8,523</b>	<b>10,941</b>	<b>12,396</b>
<b>LIABILITIES</b>						
Arab Countries	1,482	2,095	2,578	3,634	4,972	—
North America	101	224	214	301	449	—
Western Europe	1,304	1,955	2,277	3,431	3,969	—
Offshore Centres	509	610	823	778	1,189	—
Other	106	231	222	179	261	—
<b>TOTAL</b>	<b>3,502</b>	<b>5,115</b>	<b>6,214</b>	<b>8,523</b>	<b>10,941</b>	<b>12,396</b>

Sm.	1975			1976			1977	
	Dec.	March	June	Sept.	Dec.	March	June	Sept.
<b>ASSETS</b>								
Loans to non-banks	—	—	949	1,401	1,724	2,387	2,756	—
Interbank Funds	—	—	87	36	136	158	152	—
Commercial Banks in Bahrain	—	—	85	278	510	763	1,194	—
Other OBUs	—	—	2,364	3,400	3,789	5,223	6,719	—
Outside Bahrain	—	—	17	26	54	82	120	—
Other Assets	—	—	—	—	—	—	—	—
<b>TOTAL</b>	<b>1,687</b>	<b>2,031</b>	<b>3,502</b>	<b>5,115</b>	<b>6,214</b>	<b>8,523</b>	<b>10,941</b>	<b>12,396</b>
<b>LIABILITIES</b>								
Deposits of non-banks	—	—	400	572	598	1,072	1,681	—
Interbank Funds	—	—	62	31	87	120	152	—
Commercial Banks in Bahrain	—	—	83	278	510	763	1,194	—
Other OBUs	—	—	2,951	4,221	4,939	6,473	7,785	—
Outside Bahrain	—	—	4	13	80	85	129	—
Other Liabilities	—	—	—	—	—	—	—	—
<b>TOTAL</b>	<b>1,687</b>	<b>2,031</b>	<b>3,502</b>	<b>5,115</b>	<b>6,214</b>	<b>8,523</b>	<b>10,941</b>	<b>12,396</b>

\* Estimate.

## THE OFFSHORE MARKET\* - JUNE 1977

U.K. LIABILITIES		U.K. CLAIMS	
	Sm.		Sm.
Bahamas	4204	Bahamas	7855
Cayman Isles	1576	Singapore	3516
Hong Kong	1402	Hong Kong	1735
Bahrain	1024	Cayman Isles	1698
Singapore	888	Bahrain	1692
Lebanon	743	Panama	700
Bermuda	272	Neth. Antilles	70
Panama	242	Lebanon	13

\*External liabilities and claims of U.K. banks and certain other institutions in foreign currencies.  
Source: The Bank of England.

## Foreign exchange operations

A YEAR AGO there was considerable argument over whether Bahrain or Dubai was the best place from which to run a Gulf-wide foreign exchange operation. Dubai, so the argument ran, was an important trading centre and had a much larger volume of natural commercial foreign exchange business.

The argument was flimsy since good telephone and telex facilities throughout most of the Gulf meant that most banks could be in close contact with each other and the physical location was of only secondary importance. However, there is no doubt that Bahrain is now acknowledged as the foreign exchange centre of the Gulf.

According to Alan Moore no other centre can provide a market in international foreign exchange with as much depth. Most bankers confirm this to be the case.

There are two reasons why Bahrain has emerged as the predominant centre. First, the rapid influx of international banks and Dr. Knoester of ABN, the into Bahrain has led to a much more competitive market. Whereas a couple of years ago local banks might have been prepared to deal in simple foreign exchange transactions on spreads of 1 per cent or more, these are now as fine as volatile some of the local

those to be found in Europe. Bahrain banks now offer a far better foreign exchange service than existed before and business has gravitated towards them as a result.

The UAE currency crisis earlier this year has also had an indirect bearing, since the loss of confidence it engendered resulted in banks switching their business to the Bahrain OBU. At the time of the crisis, the UAE Currency Board's intervention tactics in the dirham market were widely criticised and call money rates went as high as 350 per cent. One or two OBUs probably burnt their fingers and realised that dealing in dirhams was not quite the exchange centre of the Gulf, same as in dollars or D-Marks. According to Alan Moore no other centre can provide a market in international foreign exchange with as much depth. Most bankers confirm this to be the case.

Dealings in dirhams have fallen sharply since then. Simon Wright, who heads R. P. Martin's Bahrain operation, estimates they are down by 80 per cent. Dr. Knoester of ABN, a doyen of Mid-East currency dealers, believes that trading currently, is running at a fifth of the levels before the crisis. If it did nothing else the UAE foreign exchange transactions currency crisis served to remind on spreads of 1 per cent or more, these are now as fine as volatile some of the local

CONTINUED ON NEXT PAGE

## Bahrain Monetary Agency

The Bahrain Monetary Agency is the government body which monitors Bahrain's offshore banking units and domestic banks

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Tel: 712657, 714023, Telex: 8295

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Vice President and Middle East Representative - Bahrain

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BAHRAIN BANKING AND FINANCE VII

Increased scope for merchant bankers

BAHRAIN MAY be catching up Singapore rapidly in terms of offshore assets but it can still not match the number and variety of financial institutions operating in the Asian offshore market. Singapore boasts a number of merchant banks, four discount houses, and five money brokers. Along with Hong Kong it is developing into an important regional loan syndication centre and the Monetary Authority of Singapore actively sponsors and trades in Asian dollar bonds.

market in local bond issues, although there is no denying the growing absorptive capacity of the region. A few Bahrain OBU's are now starting to trade bonds and the Arab Company for Trading Securities (ACTS) has been set up recently in Kuwait, with the backing of KIIC, and is becoming an active secondary marketmaker. Despite these limitations, a handful of Bahrain OBU's have become increasingly involved in merchant banking-type activities over the last 12 months. BAII (Middle East) Inc. is the most notable. Since opening in Bahrain it has lead managed in association with its Paris parent, six Arab currency bond issues totalling \$330m. and co-managed another \$100m. Grindlays OBU played a key role in putting together the \$12m. syndicated medium term loan for Jordanian Hotels and Tourism and Scandinavian Bank is making a name for itself as fiscal agent bank for BD bond issues. Citicorp International Bank's Bahrain representative office is helping support the secondary bond market and a number of banks are arranging performance bonds and guarantees.

last issue which was led by inter-bank market at a rate no higher than the coupon on the largest amount yet (\$D12m.). But this does not apply to investors generally and there is no guarantee that it will continue in existence for ever. Consequently, the BD bond issues are being looked upon as an experiment. Alan Moore, Kidder Peabody and BAII for instance, is much more in share joint credit for the interest in seeing Arab dollar development of this market issues placed and issued exclusively in the Gulf. This will be the real test of the market's liquidity in the local market. It is still unclear how much of these issues was placed in firm offshore market. will be to investor hands and how much went on to the OBU's own paper. The Alba promissory notes are a start though they are very narrow and one banker estimated that its absorptive capacity was no more than \$D40-50m. Another issue for PEMEX is in the pipeline but the BMA is scheduling this to follow its own issue of local BD development bonds. So far there has been little trading in the secondary market although BAII, CIBL and Scandinavian Bank are prepared to act as secondary market-makers. One of the main reasons why the three issues were modestly well received was because there is a sizeable amount of the Bahrain Monetary Agency undertook to provide a "safety net" for the management if any of the issues in the prospectus were willing to maintain a secondary market in the bonds it would guarantee the availability of dinars on the

Credit  
The Bahrain market has also been bolstered by the establishment of the Gulf International Bank—owned jointly by the Governments of Saudi Arabia, Kuwait, Iraq, Oman, Bahrain, Qatar and the United Arab Emirates—in Bahrain. By the end of June shareholders funds amounted to \$72m. and total footings had been built up to \$338m. It plans to open a London office later this year and its name is starting to appear regularly in townships, sometimes as a co-sponsor. It is still too early to say how GIB will develop but it could play an important role in enhancing Bahrain's international stature as a local syndicating centre. At the moment local syndication activity is not very important. The managers of the OBU may identify possible lending opportunities and back-up work such as joint documentation is still done in Europe. The OBU's then help market the loan around the Gulf. The basic constraint preventing OBU's from becoming more heavily involved in loan syndication is the shortage of good local lending opportunities. Unlike the Far East, the Gulf is a net exporter of capital. The issue of the first Bahraini bond for the Republic of the Philippines last February was an important milestone in the development of Bahrain's offshore market. A year ago most bankers would have thought such an issue far too ambitious given Bahrain's fledgling status. But in fact large amounts of local currency have been sold. The Philippines issue went for \$1.2bn. and has been followed by issues for Mexico's National Financiera and Algeria's Compagnie Nationale Algerienne de Navigation. The OBU's that deal actively in this

Traditional

While most commercial banks are happy to trade in the money markets a merchant bank's traditional sphere of influence is the capital market. Both the local Bahraini capital market and the Gulf-wide capital market are still relatively thin and unsophisticated so the scope for a European merchant bank, for instance, is limited. Of the U.K. merchant banks, only Kleinwort Benson has so far opened a representative office locally. Compared with its neighbour Bahrain is a relatively poor country and does not have vast reserves of investment capital that could be tapped by private placements or bond issues. However, it could become much more important if the proposals for a unified Gulf currency were acted on, but this still seems some years off. There is plenty of wealth in the rest of the Gulf but nevertheless the local capital market is still not very advanced. There are two basic problems. First, long-term Gulf currency interest rates are stuck above comparable Eurodollar market rates so, though such an issue far too ambitious given Bahrain's fledgling status. But in fact large amounts of local currency have been sold. The Philippines issue went for \$1.2bn. and has been followed by issues for Mexico's National Financiera and Algeria's Compagnie Nationale Algerienne de Navigation. The OBU's that deal actively in this

Foreign

Foreign exchange markets can be in some of the smaller Gulf states, for example, a liquidity crisis may blow up just because of the problems is that there are very few local Saudi banks dealing in a big way, so foreign banks sometimes find themselves at a disadvantage. In the spot foreign exchange and short-term deposit markets, daily turnover in Saudi riyals could be running at between SR750m. and SR1bn. and trading spreads up to six months compare favourably with dollar deposits. An active forward market is also developing with deals of SR100m. for periods of three years being fairly common. It is understood that the Saudi Arabian authorities do not look too favourably on the burgeoning offshore-market in Saudi riyals but since they insist on denominated so many contracts in their local currency there is little they can do about it. Compared with Saudi riyals the Kuwaiti-dinar market is more sophisticated since there are as many as a dozen Kuwaiti banks involved, and there is, consequently, a better two-way business. Naturally the market is smaller in size than the Saudi market, but communications are better and an active forward market has been pioneered by the United Bank of Kuwait, among others. On the foreign exchange and deposit market the daily turnover in Kuwaiti dinars could be running at say, KD25-30m. (\$100m.). In the other Gulf currencies turnover is much smaller. In Omani riyals it may be no more than QR3-4m. daily and in Qatari riyals it is probably no more than QR40-50m. daily. The improvement in the local inter-bank deposit markets has spurred the development of an important forward market. From just \$300m. in June, 1976 it has grown to \$2bn. according to the BMA. As much of the Middle East trade is biased towards buyers of forward dollars, banks frequently have to cover themselves through the deposit market and the two markets are growing side by side. Bahrain's foreign exchange and deposit markets, both in local and international currencies, should continue to grow fairly rapidly as new banks enter the market and local banks become more skilled. But for some people the growth rate is not fast enough. A common complaint is that new banks do not have sufficiently large dealing limits to become actively involved. Alan Moore admits that this might occasionally be the case, but is generally satisfied that local dealers have enough discretion. A more significant constraint, however, seems to be the downturn in speculative activity after the dirham crisis. This is an emotive subject and the Bahrain OBU's have been blamed for causing the dirham crisis through their speculation. The BMA does not accept that this was true. Nevertheless, banks, generally, seem more reluctant than they were a year ago to take a position and ride the yield curve. This might be prudent banking, but it limits the growth of the market, especially when it does not have a large commercial base.

Foreign

Continued from previous page  
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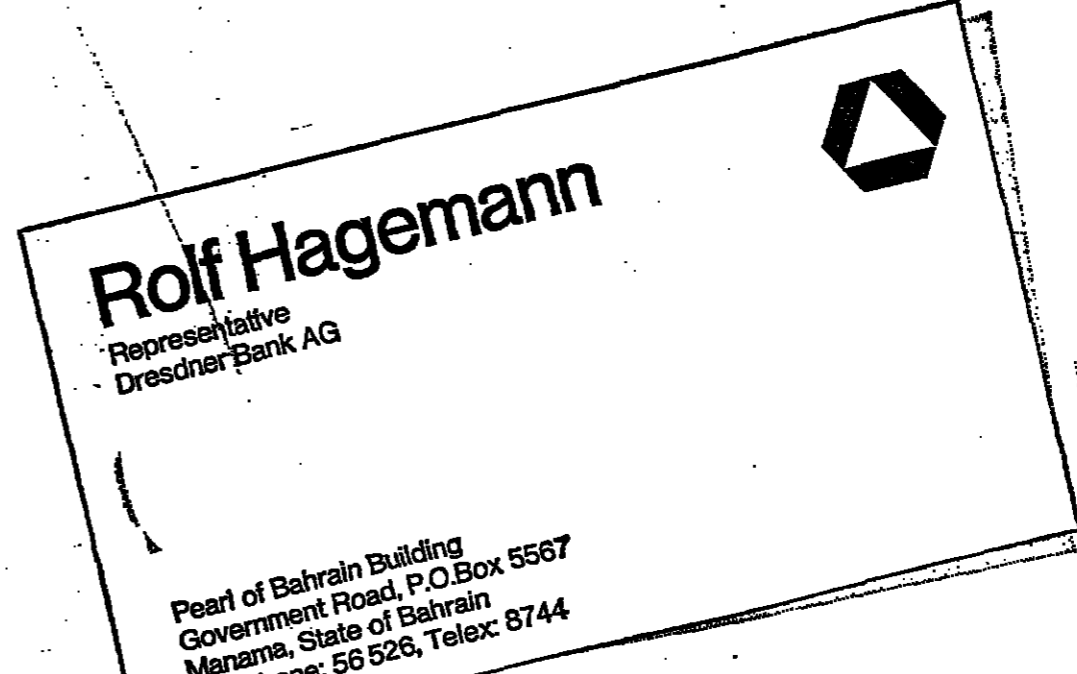


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## Retail sector slowdown

BUSINESS IN Bahrain is now compensating for the abnormal growth of 1976 and not liking it very much. Last year's profitable expansion for Bahrain's traders has made this year's quiet business scene feel much more like an acute recession than it really is. The measure of the merchant community's discontent was the formation by the government of a joint business-government committee to study the economy.

While no senior government official or minister would even hint that this committee is just a high level opiate for the traders, it is no secret that the Bahrain government is relieved rather than worried by the slow-down in business and the steady reduction in the rate of inflation which appears to be accompanying it.

For the 18 commercial banks in Bahrain, a year of relative quiet is no bad thing (but for the 19th and newest, the National Commercial Bank of Bahrain, a more expansionary market would give it a better start). During 1976, bank lending to all sectors of the economy

increased by over 60 per cent, with even higher figures in some individual cases.

Bank borrowings are now sliding down to a more stable figure. A virtual halt in lending in the first month of this year has now relaxed and lending at the end of June 1977 was just over 11 per cent up on lending at the end of December 1976. The massive increases in borrowings last year have given indications, to different degrees, to both borrowers and lenders.

A large part of the early months of this year has been spent by both parties in sorting out their accounts. The credit terms have tightened up considerably and it will be only a matter of time before one of the trading houses with a better debt collection record than the others hives off part of its accounts department into a separate debt collecting agency. If a merchant house does not, a couple of Western expatriate housewives probably will.

The lending pattern in Bahrain showed one remarkable change in the course of

1976. By mid-year, lending to the construction sector had overtaken lending to trade in an island which had long had a tradition of entrepot business. At the end of the first quarter of 1976 lending to construction accounted for just under 28 per cent of the total borrowings to finance trade accounted for about 33 per cent.

## Property

The comparable figures for the second quarter were 34 and 26 per cent. One senior banker in Bahrain has estimated that there must be some \$200m outstanding on property loans alone. At the end of June 1977 the total lent to the construction sector (a fairly loose definition) was \$285m, just under 38 per cent of all lending. Trade borrowings were still at 26 per cent of the total.

The biggest lenders in Bahrain are the National Bank of Bahrain, (which had an increase of over 30 per cent in advances last year) Chartered Bank, Bank Mellat, the British Bank of the Middle East,

and the Bank of Bahrain and Kuwait (in no particular order). Surprisingly Citibank, one of the largest banks in the world, seems to have barely made a dent in the retail scene in Bahrain. Citibank, which has conspicuous and relatively large premises in Bahrain, is among the top five retail banks measured by last year's balance sheet totals. But a quick look at the figures shows that it is more than lending to individuals or companies. An analysis of last year's banking figures produced by the Bahrain Monetary Agency show that the Bahrain Citibank's deposits with other Citibank branches totalled roughly \$29m and its deposits with other banks came to \$105.75m. Advances were a mere \$27.5m.

Most of the commercial banks in Bahrain are now being quite choosy about the kind of business they take on and a good few are trying to shed some of their smaller accounts. The road to profitability in retail banking in Bahrain is beset by very high overheads, both in

## Subscription

As with the shares of local joint stock companies there is unlikely to be much trade in these bonds initially for, as one banker has said, "people have yet to learn about the capital value of bonds and equities, and stop concentrating on their income yield."

The immediate business outlook for retail banks in Bahrain is good if dull, especially when compared with last year. One or two banks have customers in the construction field which are operating under very strained circumstances. But although there is a glacial talk of possible bankruptcies (and ironically a draft bankruptcy law is being presented to the Bahrain cabinet soon), ten months into 1977 has seen only one construction company failure.

As yet no horror stories about property debts have become public knowledge. Rents however, appear to be tumbling and landlords making more concessions to future tenants. Also, older properties are being renovated, whereas 12 months ago those that were not falling down would have been knocked down. The downturn in the construction industry, which is still predicting a further cut-back in the coming months, is spreading back up the trading ladder.

Local merchants are overstocked on many items from baths to office furniture and trade is slack. There has always been a high incidence of goods left uncollected at Port Sulman and it is getting no better. Uncollected cargo is eventually auctioned and the unfortunate bank issuing the letter of credit connected with the goods has to pursue the trader for the difference between the auction price and the sum paid out by letter of credit.

The documentary credit business has tightened up considerably and so has bankers' attention to overdraft limits—hence the sudden enthusiasm for debt collection. However, opinion at senior levels in banks and merchant houses does not feel that the present slowdown will last too long or be too uncomfortable for the majority in Bahrain. It seems that there has

Doina Thomas

## Representative offices

THERE ARE now just over 20 bank representative offices in Bahrain—the number having nearly doubled over the past year. Such diverse institutions as the Al Saudi Bank, National Bank of Greece, Bank of Tokyo and Thomas Cook Bankers have paid their \$5,000 fee and opened offices in recent months.

However, not all the bank representatives one meets are as enthusiastic about Bahrain's potential as are the managers of the offshore banking units. Part of the problem is that many representatives still hanker after the good old days in Beirut which at its peak harboured over 70 representative offices, including such illustrious names as Morgan Guaranty, Deutsche Bank and Credit Lyonnais (all of whom are missing from Bahrain). Beirut was an ideal meeting place between

the Middle East and the West and a representative could ply his trade in considerable comfort. Where else in the world could one go skiing in the morning and sunbathe on the beach in the afternoon, be moaned one banker recently posted to Bahrain.

For many bankers, Bahrain is still looked upon as a hardship posting but with most Arab countries now closed to foreign banks Bahrain is generally considered as the best of a bad bunch from a representative's point of view. It is an expensive place to operate—one banker estimated that running a Bahrain representative office on a shoe-string costs \$100,000 per annum but more generally \$200,000 per annum is the rule. But communications are good and most Arab capitals are within easy reach.

Not all banks are as fortunate as Texas Commerce Bank in having so many of its major corporate clients operating locally. Texas companies such as Brown and Root and Hughes Tool have made big inroads into the Middle East market and according to one estimate at least half of the \$6bn. in annual Middle East contracts placed in the U.S. are with Houston companies. Newsweek Magazine, for example, quoted one Saudi businessman recently as saying "What New York is financially and spiritually to Israel, so is Houston to the Arab world."

Every representative tends to interpret his role slightly differently. The two Australian banks, for instance, partly concentrate on developing trade between Australia and the Gulf while the Swiss banks keep an eye on the new much diminished Dubai gold trade among their other responsibilities. Basically, however, the work of a Bahrain representative office splits into three parts. First of all there is the need to maintain and develop links with correspondent banks. Correspondent banking is not as glamorous as putting together a major loan syndicate or arranging a sophisticated project financing but for most banks it is an important part of their day-to-day business and one they can ill afford to neglect. Since foreign banks are barred from operating in many Arab countries they have to rely on local correspondents increasingly to service their clients' needs: if a major construction contract is being undertaken by a U.K. contractor in Saudi Arabia a U.K. clearing bank will have to delegate much of the business to a local bank such as the National Commercial Bank or the Riyad Bank. For example, there might seem little immediate profit for a U.K. bank in such a deal but in the interests of his customer the U.K. bank should try and see that his client is well looked after. Unless a bank has a long standing relationship with the local bank this is often hard to ensure.

## Travelling

However, most banks new to the area do not have such a ready-made customer base as does the Texas Commerce Bank. The majority of them spend the bulk of their time travelling outside Bahrain. Personal contact is an important part of doing business with Arab clients and while regular visits often take time to develop into real business, a representative on the spot in Bahrain has a big advantage over the banker servicing the Gulf through periodic visits from London or New York.

Finally, bank representatives in Bahrain are expected to generate new business. This might take the form of identifying a cheap source of long term Arab deposits or generating lending opportunities with new Arab clients.

For the big Swiss banks and the German banks a further important part of their representative's time is spent trying to sell their bank's portfolio management services. These are aimed more at the wealthy Arab investor than the expatriate engineer. Commerzbank, for instance, does not like to handle portfolios of less than DM500,000 in size and Union Bank of Switzerland, in particular, has carved out a special niche for itself managing Arab funds. It will be a long time before a local centre or bank can match the appealing anonymity of a Swiss bank account or match Switzerland's long term political stability for that matter. It should not be forgotten that several of the rulers of the UAE came to power in a coup d'etat.

A number of local representative offices also peddle Euro-bonds around the Gulf and use their offices as a means of improving their placing power. In fact, some representative offices are engaging in quasi-banking activities which is frowned upon by the BMA and this is one reason why it is considering introducing a special merchant banking licence which would legitimise this side of their business.

The second important priority for any representative office is to look after the interests of local clients in the Gulf, intro-

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البنك الوطني



SOCIETY TO-DAY: THE CLOSED SHOP

BY JOE ROGALY

# A principle is a principle is a principle

"THE CONSERVATIVE Party is against child labour," reads its latest eve-of-conference policy statement. *The Right to Prevaricate*. "We believe that in the past the threats to children's health that can spring from sending eight-year-old boys up chimneys have been ignored or pushed aside because the convenience of their small size, to children and sometimes to mastersweeps, has been allowed to become the first consideration. We believe that mastersweeps and children can and should do without such arrangements." Having thus clearly and fearlessly set out the principle, this important document then goes on to describe exactly what is to be done.

Or rather, it describes exactly what is not to be done. "We recognise, however," it says, "that a simple attempt to ban child chimney-sweeps can be not only ineffective, but sometimes even harmful to some of the children concerned. The evidence suggests that informal agreements continue even if formal ones are banned. They may restrict the eight-year-old's right to non-chimney work far more than an open agreement which is regulated and limited."

The rigorous logic of this approach is then followed through: "We are determined to provide the best protection for the individual child. So we propose that if agreements on child chimney-sweeping are made, the following points must be observed:

for periodic repeats of the best of it for those children who cannot bear the smell of soot. In the above fight of fancy I have interferred only a very little with the text on page 49 of "The Right Approach to the Economy," in which the Conservative Party's present attitude to the closed shop is set out in such a way that the document could bear the names of both Mr. James Prior and Sir Keith Joseph. It is a masterly piece of work, enabling those who are positively anxious to abandon principle to do so by flourishing one set of phrases, while soothing the consciences of the rest with another.

When she appeared on television yesterday Mrs. Margaret Thatcher emphasised those aspects of the policy statement that appear to re-affirm the principles of democracy and individual freedom:

"A new very damaging law has been introduced, namely that a man or woman can be sacked from their job merely because they have not joined a union—that is the legacy of this Government for the working people of this country. I believe that is wrong. I believe most people think it is wrong."

But what is to be done about it? "You must, at least, if you are sacked have a right to compensation," said Mrs. Thatcher. "You really ought not to have power over individual men and women without any recourse to a court of law. Laws have always looked after the individual—we must reserve that right of appeal."

It will be seen that this is no advance on the agreed Tory policy: the unions insist on having closed shops; we can do nothing about it and if we try years ago. The Donovan line we could lose the election on the ground that the unions are against us; therefore we must

offer palliatives to our own libertarian fanatics by suggesting ways of protecting some of the individuals who might get hurt.

Close observers of what will become the documents for the proper historical study of post-war Britain will note the similarities between this argument as set out in "The Right Approach to the Economy" and paragraphs 588 to 618 of the Donovan Report on Trade Unions, published nearly ten years ago. The Donovan line was, in essence, the one I have summarised in the paragraph above. The only difference be-



Mastery document bearing the names of Mr. James Prior (left) and Sir Keith Joseph.

their labour force. It might have withered away.

To-day the picture is quite different. State employers, like British Rail, can be persuaded to accept it. Opportunist private employers, like some of those in the engineering industry, calculate with little thought for the morality that it is easier to push individual workers around if you have the shop stewards as your fellow-bully than otherwise; these too will actually welcome the closed shop. Young, woolly-headed new recruits to the unions accept the tired old arguments about "free riders" (those who enjoy the benefits of a century of trade union struggle without actually joining) without questioning the validity of any such coercive device in an age in which so many workers' rights are protected by law.

A trade union with 75 per cent or even 50 per cent membership can bring most companies to a halt just as well as one with 100 per cent membership. If a tenth or a fifth of the employees do not want to join there may be a case for arranging that they pay an amount equivalent to trade union dues to a charity or even in some circumstances to the union itself (since their wages are likely to have been negotiated by the union) — but there is an reason why they should submit themselves to the unpredictable disciplines of membership if they choose not to do so.

Many modern trade unions are better regarded as service conglomerates than voluntary organisations struggling to win rights for the exploited. This is certainly true of most of the activities of the increasingly large and powerful white-collar unions. They thrive by recruitment; their service is often welcome to members. If an insurance clerk, or a local government official, or a civil servant wants to benefit from the services offered by these unfettered companies, that is fine. But to equate them with the suffering and struggle of a century ago is usually fallacious: it may satisfy a longing in certain souls, but it does not represent truth. For these conglomerates, there is no moral case whatsoever for obligatory membership.

To those who say, "You ignore reality—there is no way of legislating the closed shop"—the reply must be "then change reality." That would be a reasonable aspiration for a modern libertarian party of any colour. It is the least one can expect of the Conservative Party, with its pretensions about being the last bastion available in the war against collectivism. Mrs. Margaret Thatcher has herself brandished the necessary weapon: a referendum. The vote, nationally and in trade unions and on the shop floor could go a long way towards vanquishing the closed shop. It would also show that most of the British people, at least, understand what is meant by a principle.

Others might say, "But this is not really an important matter. Most people are content. Just a few diehards suffer." Once again, the importance of principle is the key. Establish the principle of the freedom of the worker in this matter, and other principles of freedom will have a better chance. Let it slide, and a great deal else goes with it.

## Creating real jobs

From Mr. R. Jones.  
Sir—It strikes me as a curious oversight that job creation is generally talked of in terms of manufacturing operations and jobs at "worker-producer" level. Surely we had time to learn that the wealth creating activity is "pulling" rather than a "pushing" process. There is no point in producing things that are not sold.

It would seem to be a good idea to concentrate on job creation at the selling end of the marketing process and subsidise the employment of salesmen, especially export-salesmen. For example, funds could be devoted to giving foreign language training to unemployed sales people and to paying a subsidy to firms that create foreign-based sales posts. The trade generated by these created posts would result in further job creation in response to a real market need rather than artificial government intervention.

Robert J. Jones,  
44, Kent Gardens, Ealing, W.15.

## Lending to the service sector

From The Chairman, Sundry Holdings.  
Sir—Mr. Cuchran's letter (October 4), highlighting the fact that small business schemes are largely invested on the side that sector, is a timely reminder for the Wilson Committee.

Many of the small businesses we need to encourage if we are to have any hope of significantly lowering unemployment will lie in the service sector. These businesses, low on assets, but potentially profitable, are normally started by very young entrepreneurs, whose ability to offer any security acceptable to a traditional banking mind is limited.

Could I suggest that the best solution lies in the extension of the Agricultural Credit Corporation's loan guarantee scheme to small businesses. This approach would give the small business the necessary guarantees that banks are bound to request, when on all other grounds they would be happy to extend overdraft facilities or medium term loans to the small concern. Based on my experience, defaults would be exceptional, and the cost to the taxpayer negligible.

Peter M. Brown,  
12, Hyde Park Place, W.2.

## Uses of oil funds

From Mr. A. Llewellyn.  
Sir—Mr. Samuel Brittan's articles of September 15, 22, 29, and October 6, taken together, are a masterly exposition of the worries facing the Chancellor and his advisers as the IMF's imposed conditions and North Sea oil and gas begin to take us into solid and, hopefully, sustained payments surplus, despite the running rates of unemployment and inflation.

Had North Sea oil and gas not been found, I suggest that the 1973 level of crude oil prices would have forced upon us the vital need for crash programmes in nationwide nuclear power generation (fast breeder) and in coal processing for more gaseous and liquid products. The investment required would have been offset by the savings in imported crude, eventually totalling (some guess) some 50 billion, or about £2.5bn annually, out of about 100bn tonnes imported annually.

North Sea oil already on stream or to come on stream is of light quality, too good for burning in power stations, while the unfriendly sea environment makes for very high extraction pre-production and, if world costs, acceptable and high and prices for crude remain high and there is uncertainty on recoverable reserves. The quality problem is of course solved by swapping our light crude for overseas heavy crude, but we have to deplete our reserves to do nothing that swap. We can do nothing about the other problems except, perhaps, accelerate exploration over the next say five years, most expensive operation. Seemingly, therefore, logic dictates that we mount those same crash programmes, and without delay.

The rising annual costs of the programmes could be directly financed from HM's rising and

## Letters to the Editor

colleagues should give a little more considered thought to the consequences of the pact before talking about courage and innovation.

Christopher Radmore,  
1, Brackenbury Gardens, W.6.

directly regarding oil income which, on present production and that expected from pre-production commitments already made, is likely to exceed £32bn. during the period 1977-88. As the crash programmes come alive, so oil production can be reduced, substituting a saving of say 50 million annually which would represent no less than between half and one-third of the production rates currently proposed for 1988 through to 1995. Additionally, on completion of the crash programmes, we would have the cheapest electrical power on a national scale, the chance of no further national energy headaches ever and oil and gas reserves as great as man can devise.

To obviate major and continuing balance of payments surpluses, some of the foreign investment proposed by Mr. Brittan should be made where it will naturally lead to an increase in our exports of goods and services. As this know-how is essentially held by the private sector, some formula will be necessary by which public funds can be disbursed to responsible companies of all sizes, often the medium to small ones.

A further and much needed operation could be set up—taking say £3bn—the strategic stockpiling of non-perishable commodities which we have to import, such as metals, cotton, wool, etc. This will help the economies of producer countries, often not industrialised, indirectly promote our own exports of goods and services and act as a deterrent to sky-high world prices for such commodities at times of world shortage.

We must not miss a trick in changing a nation from chronic debtor status to perhaps that of a creditor, and quite quickly. I believe that all the signals are becoming green for a soundly based British economy, and for the first time since about 1912. But let us be aware that some so-called leaders in our national affairs do not wish this to happen, preferring to continue the double act of simultaneously wringing and sitting on their hands.

Algernon Llewellyn,  
Flat 65,  
22, Park Crescent, W.1.

## The merits of coal

From Mr. J. Goodland.  
Sir—The first article of your survey on World Coal Mining (October 7) ends with the Delphic sentence: "Coal is being seen as too valuable a raw material simply to be burned under boilers. Assuming we need boilers, what fuel should be burned under them? Surely not oil, gas or uranium."

As there is no fear of a world coal shortage, there seems to be a surplus of reserves and even stocks over demand in several countries—it would make more sense to start restricting the burning of more short-lived (and more chemically valuable) oil and natural gas, and to start confining their use to those processes which cannot yet be performed by coal or its products.

This transfer from primary oil and natural gas to coal would take several years, but to invent a surplus of reserves and even stocks over demand in several countries—it would make more sense to start restricting the burning of more short-lived (and more chemically valuable) oil and natural gas, and to start confining their use to those processes which cannot yet be performed by coal or its products.

As well as supporting a part of the electricity generating demand, coal will be virtually the sole source of hydrocarbon feedstock, for both industrial processes (perhaps food as well as chemicals) and energy use. Coal would, as now, supply part of the electricity market and much of the market including transportation, now catered for by oil and natural gas. Raw coal (or manufactured solid fuel) should be competitive for many of the heating loads now carried by electricity, oil and gas.

Coal converted into electricity is expensive for heating; there is no evidence yet that coal converted into oil or gas would be any cheaper, or would be competitive with coal combusted in the modern appliances now coming through.

There is an old-fashioned prejudice against burning coal: the clusters of things that occur against burning oil or gas, or using electricity for heating. When world resources of coal start to fall, then there'll be plenty of time to think of converting them.

Doner House, Pateigh,  
Taunton, Somerset.

## Running your luck

From Mr. W. Keir.  
Sir—Several of your readers who have invested in premium savings bonds complain that over a period of many years they have never won a prize of any kind. This is to be expected. Many readers on the other hand will have won several prizes with the same batch of bonds.

The unexpected grouping of similar numbers is something of a mystery. It is not surprising that several people have made it part of their life's work to collect information on coincidences of this kind, which appears in reality to be a natural principle. There would appear to be typical clusters of things that occur together, and then disappear altogether.

This kind of wave pattern in events is familiar to stockbrokers and gamblers, and every insurance company runs its entire business of assessment on similar tables of probability. On the scale of a slide rule the num-

## Lib-Lab pact

From Mr. C. Radmore.  
Sir—Mr. Peter Easton (October 6) has obviously not thought out the logical course events may very well take consequent upon his Party's pact with Labour.

The Lib-Lab pact may have caused what seems to be a partial recovery in our economic fortunes, although with 1.6m. unemployed (and still rising) and a continuing inflation rate of 18 per cent. (with Treasury Ministers divided on next year's forecast) I beg leave to remain sceptical until more monthly figures have been published.

The political results of the pact are much easier to forecast and it is only Lib-Lab like Mr. Cyril Smith who have correctly viewed the impact term effect of the pact. The Liberal Party has only bought time for the Labour Government and simultaneously saved it from electoral disaster, but saved itself from electoral disaster also and it is hypocritical of the worst sort for David Steel to talk about putting the national interest first when the national interest in this case happily coincided with Liberal Party interest.

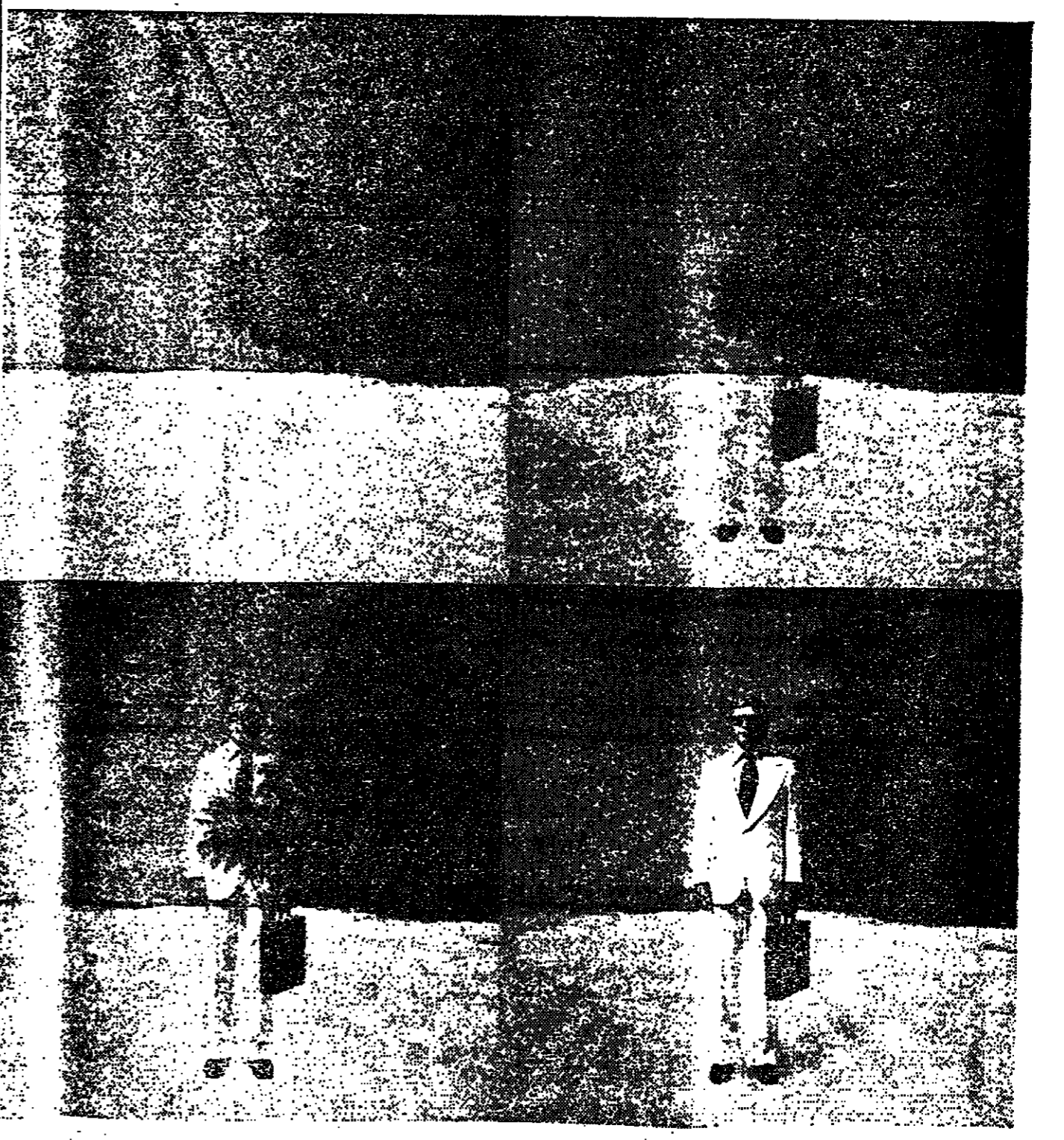
Furthermore, it has been made abundantly clear, if it was not clear already, that the Lib-Lab pact will be abandoned like an old shoe, if the Labour Party gain a clear majority at the next election and moreover if that unhappy day comes to pass it will be the Lib-Lab Party who have given their chance to regroup their forces and it will be the Liberal Party who have paved the way for more and possibly stronger doses of Left-wing socialism, which may make 1974-76 seem like the proverbial tea party.

That possibility will be put out for many years, if not for ever, the cherished Liberal desire of the re-alignment of the forces of the Centre. If the Lib-Lab pact genuinely wanted to bring that about they would have left this dangerous and ineffectual Government to the fate it deserved last year. Instead of which they have bought themselves more time in this arrangement at the expense of being an important force in the next, or whether the next election results in a Labour majority, or a Conservative majority, the Lib-Lab Party will have been defeated.

Perhaps Mr. Easton and his

## To-day's Events

- GENERAL**  
Dr. David Owen, Foreign Secretary, ends two-day talks in Moscow with Mr. Andrei Gromyko, his Soviet counterpart.  
Conservative Party conference opens, Blackpool, with debates on industry, education, free enterprise and industrial relations.  
Main speakers include Sir Keith Joseph, Shadow Cabinet member for policy and research.  
EEC Agriculture, Fisheries Ministers meet, Luxembourg.  
European Parliament in session, Luxembourg.  
Mr. Jack Jones, general secretary, Transport and General Workers' Union, and Mr. Doug Fraser, president, United Automobile Workers of U.S., make statements in London after discussing motor industry problems common to both countries.  
Association of Independent Businesses gives oral evidence to Wilson Committee on City institutions.  
Hong Kong and EEC start negotiating their textile agreement, Brussels.  
Sir George Porter, director, Royal Institution, chairs forum on Nuclear Power and the Energy Future, London.  
London Chamber of Commerce and Industry Council meets.  
International Business Show opens, National Exhibition Centre, Birmingham until October 20.  
Electronic Instrument Exhibition opens, Bloomsbury Centre Hotel, W.C.1 (until October 13).  
National Collectors 10th bi-annual Fair opens, Cumberland Hotel, W.1 (until October 13).  
**OFFICIAL STATISTICS**  
Central Government financial transactions, including borrowing requirement (September). Provisional figures of vehicle production (September).  
**COMPANY RESULTS**  
Associated Biscuit Manufacturers (half-year), Swan Hunter (full year).  
**COMPANY MEETINGS**  
Bodgoh-Peleph, 32-34, High Holborn, W.C.1, 8 p.m.  
City Road, E.C.12. United British Securities Trust, 82 Cannon Street, E.C.4. United Tin Areas, 25, City Road, E.C.11. Warner Holidays, Cafe Royal, W.12.  
**OPERA**  
English National Opera production of Werther, Coliseum Theatre, W.C.2, 7.30 p.m.  
**MUSIC**  
City Music Society, Julian Lloyd Webber (cello) and Yvonne Seow (piano), Bishopsgate Hall, E.C.2, 1.05 p.m.  
Philharmonia Orchestra, conductor Eduardo Mata, with Alfredo Hodson (contralto), Philharmonia Chorus and Southern Boys' Choir perform Mahler's Symphony No. 3, Royal Festival Hall, S.E.1, 8 p.m.



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COMPANY NEWS + COMMENT

Glaxo advances to record £87m.

AFTER THE sharp advance in the first six months, profits of Glaxo Holdings improved from £43.85m to £47.7m, taking the total for the full year to a record £87.03m, compared with £73.94m.

The directors point out that exchange rate movements have had no significant effect on the year's profit whereas the 1975-76 figure included £7m in this respect.

The exchange gain made particular impact on the second half of last year, which as a result provided 62 per cent of the full year's profit. This year has reverted to a more normal pattern with the latter half providing 33 per cent of the total.

Sales to external customers in the year rose from £205.01m to £300.54m, and to Vestric they were little changed at £14.84m (£14.44m). Wholesale sales by Vestric increased from £106.03m to £127.49m. U.K. sales rose by 20 per cent, and sales in markets overseas went up by 17 per cent.

Providing for tax and minorities the attributable balance comes through ahead from £34.67m to £41.39m. Earnings per 50p share are stated to be up from £1.10 to 49.3p.

The dividend is raised by the maximum permitted—from £1.14 to 10.21p net, with a final of 6.21p.

Table with 2 columns: Description and Amount. Includes External sales, To Vestric, By Vestric, Trading profit, Share of associates, etc.

See Lex

Utd. Real Property near £1.9m.

A MARGINAL increase in taxable earnings from £1.82m to a record £1.87m was achieved by United Real Property Trust in the year to April 3, 1977. Gross revenue was maintained at £2.07m, against £2.04m.

At halfway profit was up from £505,000 to £1,03m.

The net total dividend is stepped up to 3.13p (4.625p) per 25p share with a final of 3.89p.

Table with 2 columns: Description and Amount. Includes Gross revenue, Share of assocos., Pre-tax profit, etc.

Saunders Valve stock

Repayment is proposed by the directors of Saunders Valve Company of the outstanding £773,200 7½ per cent debenture stock 1956-61 at 92 for every £100 nominal.

The directors believe that the borrowing restrictions contained in the trust deed constituting and securing the stock are no longer appropriate and that it would be prudent to repay the stock now.

INDEX TO COMPANY HIGHLIGHTS

Table with 4 columns: Company, Page, Col., Company, Page, Col. Lists companies like Authority Inv., Bulglin (A.F.), Chamberlain Group, etc.

Authority Inv. stays in the red

DESPITE A £237,288 profit on the sale of investments Authority Investments slumped to a £289,234 loss in the six months ended July 3, against a £9,768 pre-tax profit last time.

Sir John Foster, chairman, says, however, that interest rates have fallen in the second half of the year which has led to an all round upturn in business. The results for the full year are estimated to show a significant improvement.

Last year the group recorded a £180,000 loss after being burdened with high interest rates on its property operations and its banking operations.

The first half loss is before a £1,300 tax credit (£10,230 debit). An exceptional provision of £32,596 has been released for exchange losses on a foreign loan while an £55,853 provision was made last year.

Parker Knoll order book satisfactory

Mr M H Jourdan, chairman of Parker Knoll, tells members that the group's market weakened towards the end of 1976-77 and while the order book remains satisfactory trading conditions are currently less buoyant than he would like.

The chairman says that he would not be surprised if the total market in the current year was smaller than in the immediate past. However, he believes the group will be able at least to maintain its share of available business.

ceded to introduce significant improvements to the production and selling organisations in the furniture division.

This will result in a high revenue expense in the current year, but the directors are fully confident that this will improve profitability in the longer term.

In the fabrics division exports are now over five times the level achieved five years ago. In addition to steps taken to enlarge the capacity for handling export orders the group is moving its London showrooms to larger premises.

At the year end there was a decrease in liquid funds of £202,000 (£1.19m increase). Meeting, High Wycombe (Bucks), November 3 at 12.30 p.m.

A. F. Bulglin rises and sees peak

PEAK PROFITS are anticipated for the full year as A. F. Bulglin after an £51,000 boost in pre-tax profits to £473,000 in the six months ended July 31, 1977.

Directors say order books now stand at record levels and it is anticipated profits for the second half will be better than those now reported.

Last year a record £782,000 profit was achieved. The first half result is before tax of £246,000 (£204,000), leaving net profit at £227,000 (£188,000).

Earnings per share are stated at 1.14p against 0.94p and interim dividend is lifted from 0.47p to 0.55p net. Last year's total was 1.18p.

Lower margins and rising costs cut taxable profit from £35,000 to £18,000 at department store operators and property developers J T Parrish in the half year to July 31, 1977. Turnover was £1.01m, against £1.48m.

The directors point out that the full year's results are affected to a very large extent by the second-half trading. A return to profitability by subsidiary Rodney Archbold and Co. depends upon the conclusion of the quayside development.

For 1976-77 a net dividend of 3.825p per 25p was paid from profit of £0.11m.

Chamberlain at £0.8m. midterm

TAXABLE PROFIT of engineers and property developers Chamberlain Group rose £78,891 to £507,223 in the July 2, 1977, half year on turnover £2.35m, higher at £1.01m.

Mr L. F. Chamberlain, chairman, has previously predicted a difficult year for the group but with satisfactory results. He says conditions are indeed proving to be as anticipated, but trading results for the first half coupled with the performance of all trading companies in the second half to date give him no reason to alter his view for the full year.

Last time a £1.96m pre-tax profit was struck, a record. Earnings per 25p share represent 3.66p, against 2.65p last time, adjusted for the one-for-five rights issue during the period.

The interim dividend is ahead from 0.50385p to 0.824p. Last year's total was 1.8789p, and a full payout of 2.73p is anticipated for this year.

Table with 2 columns: Description and Amount. Includes Turnover, Profit before tax, Tax, etc.

• Includes tax credit.

The recovery at Chamberlain appears to have run out of steam in the first half with pre-tax margins falling almost 1½ points on turnover 31 per cent, higher.

Problems have emerged on the hydraulic engineering side where sales have failed to match expectations despite the group's £1m expansion programme this year.

Directors say margins here have declined from around 14 per cent to about 11 per cent, due largely to a delay in passing increases in the cost of high-grade steel castings on to customers until the second half.

Margins have also come under pressure from a change in product mix with greater emphasis placed on power packs—which have a higher content—following the acquisition of Hydraulic Applications, which made an initial loss of £20,000. By comparison the structural steel division has continued its recovery and here margins are slightly up on last year.

However, the immediate outlook for the construction industry continues to look bleak so full-year pre-tax profits may be no higher than £2.1m, against £1.9m last time. A share price of 56p gives a prospective p/e on maximum tax charge and average capital of 17.7, while a forecast yield of 2.6 per cent looks good value given the long-term prospects for the industry.

TELFER Telfer and Co., the Glasgow department store operator who has been in voluntary liquidation since February, 1975, has had its Stock Exchange listing cancelled at its own request. Application to make specific bargains under Rule 163 (3) may be submitted.



Mr. Austin Bide, chairman of Glaxo Holdings.

DIVIDENDS ANNOUNCED

Table with 5 columns: Company, Current payment, Date of payment, Current rate, Total last year. Lists companies like A. F. Bulglin, Chamberlain Group, etc.

Dividends shown pence per share net except where otherwise stated. \* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ See Bids and Deals.

Throgmorton Secured starts well

In his annual statement Mr. W. Entwistle, chairman of Throgmorton Secured Growth Trust reports that the year has started well.

He says that the principal markets in which the company's funds are invested continue to rise and there are signs of increasing buoyancy in the revenue account. Funds remain fully invested for the time being but the directors recognise the need for caution with equity market levels testing their previous peak.

As reported on September 22, taxable profits for the year to July 31, 1977, was unchanged at £297,900. Meeting, 25, Milk Street, E.C., on November 2, at 12.30.

Extel's new phone-in service

In view of the large number of disclosures of shareholdings made since the Companies Act, 1978, came into force in April, Extel (Statistics) Services has started a new information service on current shareholdings. This "phone-in" service relates to quoted English, Scottish and Irish companies reporting since April 15. It covers directors' holdings of any size, beneficial or not, and other holdings over 5 per cent, in voting Ordinary shares. Until the end of 1977, subscribers to the full British Company Service of Extel Cards have been offered free use of the phone-in service. If they use it sufficiently and their first response is most encouraging—the Extel Phone-in Share Disclosure Service will be marketed on a regular basis as from January, 1978.

SHEFFIELD BRICK £85,000 SO FAR

On turnover £79,000 higher at £1,283,000 Sheffield Brick Group lifted taxable profit from £78,000 to £85,000 in the six months to June 30, 1977. Tax takes £44,000 (£41,000) leaving a net profit of £41,000 (£38,000). Earnings per 25p share

Geo. Wills sees doubled profits

PROFITS DOUBLED from £433,000 to around £900,000 are forecast by importers and exporters, George Wills and Sons (Holdings), for 1977.

In the first half the pre-tax balance sheet shows strong recovery from £110,000 to £445,000 on a turnover ahead from £27m to £36.8m. All divisions are showing satisfactory returns to date and the directors expect profits for the second half to be comparable to those of the first six months. The previous record level was £588,000 reached in 1974.

Providing for tax of £231,000 (£27,000), the net profit comes through at £214,000 against £33,000 of which £301,000 (£45,000) is attributable to the company.

The interim dividend is raised from 0.75p to 0.825p—the total for 1976 was 1.3915p.

S. Jerome better at halftime

SPINNERS and manufacturers of worsted fabrics S. Jerome and Sons (Holdings) shows taxable profit for the first half of 1977 up from £230,109 to £283,874. External sales were 23 per cent, better at £3.81m, with the export content at £0.63m, against £0.38m.

There has been an improvement in home trade and although retail sales are reported to be increasing it is too early for this to be reflected in higher orders. Business in overseas markets is far from buoyant but the company's products have been well received and Mr. W. Jerome, the chairman, is hopeful that the growth in export sales will be maintained.

The extension of the yarn pressure dyeing plant is now complete and the company will shortly feel the benefit of the rise in dyed yarn production. Stated earnings per 25p share were 4.6p (4p) after adjustment for the one-for-ten scrip issue. The net interim dividend is 0.525p (equivalent 0.4283p). Last year payments totalling an equivalent of £2,560,000 and £444,955 stock respectively.

The offer is made following the raising of alternative medium term finance at advantageous interest rates. Current trading indicates that

Comben to buy in loan stock

Until October 31, the Comben Group is offering to purchase the £4.99m of 7½ per cent convertible unsecured loan stock 1952/57 at £55 per cent. London Merchant Securities, the ultimate holding company, and Cariton Industries, the immediate parent company, have indicated their intention of accepting for their entire holdings of £2,550m and £444,955 stock respectively.

The offer is made following the raising of alternative medium term finance at advantageous interest rates. Current trading indicates that

ISSUE NEWS

Strathclyde Variable Stock-1982

The application list opens on Thursday for the issue of £23m of Strathclyde Regional Council Variable Rate Redeemable Stock 1982 at £100 per cent.

Interest will be payable half-yearly in arrears on April 14 and October 14 at a rate of 1 per cent per annum above the rate that sterling deposits are offered for six months to first class borrowers on the London interbank market (LIBOR) at 10 am, the day before the interest period commences.

The first payment on April 14, 1978 will be for the half year and one day at the rate of 6¼ per cent per annum, which is 7 per cent over LIBOR. This will amount to £3,173¼ per cent.

The stock will be repaid at par on October 14, 1982. This method of issuing stock means that it will have a life in excess of five years on the day that it is made available to the public and then have a life of not more than five years the day that dealings are due to start — October 14, 1977.

Thus a stock suitable to deposit taking and lending institutions (a technical short) is issued without the regional council breaking the Treasury instruction regarding the ceilings of local authority issues of marketable bonds.

Applications must be for a minimum of £100 of stock multiples thereof up to £1,000. Above £1,000 and up to £3,000 applications should be in multiples of £500; £3,000 to £20,000 in multiples of £1,000; above £20,000 in multiples of £5,000.

The issue is underwritten by Pender and Boyle. See Lex

WAGON—93.4% The Wagon Finance Corporation announces that acceptable offers have been received in respect of 1,577,409 new Shares, (83.4 per cent) of the total number of Shares offered by way of rights. Shares not taken up have been sold in the market and the proceeds (estimated at £350,000) will be remitted by direct course to the provisional allottee entitled thereto pro rata to the holdings, except where such proceeds amount to less than 5%.

EXCHEQUER STOCK The prospectus is published to-day in connection with the issue of £500m of 5 per cent Exchequer Stock 1981 at 92 per cent, payable in full on application.



Banque Nationale d'Algérie US \$30,000,000 Floating Rate Notes due 1982

Banque Nationale d'Algérie ("BNA") hereby gives notice in accordance with the Terms and Conditions of the US \$30,000,000 Floating Rate Notes due 1982 issued by BNA that the rate of interest for the first interest period, running from 12th October, 1977 to 17th April, 1978 has been fixed at 8¼ %.

By:- Kuwait Investment Company (S.A.K.) (The Fiscal Agent for the said Notes)

11th October, 1977.

GUMMINS ENGINE COMPANY LIMITED

INTERIM STATEMENT

The unaudited sales and net profit of the Company for the six months ended 3rd July, 1977 as compared with the sales and net profit for the six months ended 4th July, 1976 are as follows:

Table with 3 columns: Description, Six Months Ended 3rd July 1977, Six Months Ended 4th July 1976. Includes Sales, Profit before taxation, Provision for taxation, Net profit.

Note: Corporate tax has been charged on the profit before taxation at the rate of 52%.

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Experience of the Sector is an obvious advantage but applicants with experience in other fields (e.g. Convertibles) would be considered for the post because the department is prepared to provide training for such applicants, if considered suitable in other respects.

2. GILT EDGE DEALER

A dealer fully experienced in this market is required.

3. INSTITUTIONAL EQUITY SALESMAN\*

A salesman with general equity experience is needed to join an established team. Specialisation in any Sector should be indicated in Curriculum Vitae.

In each case remuneration will be according to experience.

Replies, which will be treated as strictly confidential, should include Curriculum Vitae and should be addressed to:-

The Senior Partner, L. MESSEL & CO., P.O. Box No. 521, Winchester House, 100 Old Broad Street, London, EC2P 2HX

\* or woman.

Large advertisement for LESNEY PRODUCTS & CO. LIMITED featuring 'INTERIM RESULTS' for the 24 weeks ended July 17th 1977. Includes a table with turnover, profit, and tax data, and a list of products like 'Profit Tops' and 'Parke'.

Financial Times Tuesday October 11 1977

# Lesney improves in first half—demand increasing

EXCLUDING CURRENCY gains of £70,000 against £1.16m, profits before tax of Lesney Products, the toy manufacturer, showed an improvement from £1.95m to £2.1m in the 24 weeks ended July 31, 1977.

The last few weeks have seen a large increase in demand and the rapid run-down of the summer stocks held at the half, reports Mr. P. M. Tapscott, chairman. Production is at full stretch and, ignoring the absence of currency gains, he feels that there is a promising basis for a more active second half year's selling.

Sales in the half year rose from £3.3m to £3.5m. The profit as struck after higher depreciation—due to increased capital investment—and heavier interest, which the chairman attributes to higher average rates and the increased level of stocks.

At the next level profits emerge over at £1.15m, against £1.49m, with earnings per 25p share down on 4.3p to 3.5p. The interim dividend is raised from 0.94p to 0.99p—the total for the year 76-77 was 2.6p, paid from record profits of £7.3m, which excluded 9m. currency gains.

24 weeks	1977	1976
Revenue	3,500	3,300
Profit before tax	2,100	1,950
Profit after tax	1,150	1,490
Dividends	240	240
Retained profit	910	1,250
Earnings per share	3.5p	4.3p

**comment**

9 per cent. gain in the trading half for Lesney in the first half comes a 20 per cent. shortfall at a pre-tax level due to a 60 per cent. drop in currency gains. The upsurge has managed greater penetration into the lucrative S. market, which has been particularly receptive to the pre-holiday range of toys and the dolls 'Sabi' and 'Sindy'. But it is a matter of days, when the Christmas orders are placed, which are the most crucial. For year, as well as currency gains, it is well down at roughly 6 against £2.9m, but the company seems unusually optimistic around £2m, looks likely, which is a prospective 1/2 of 3.5 at 3 while the yield is 6.4 per cent.

## BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official publications are not available. Further dividends concerned are interim or final and the sub-dividends shown below are based mainly on last year's timetable.

Company	Date
Associated British Foods	Oct. 11
Associated Portland Cement	Oct. 11
Associated Portland Cement	Oct. 11
Associated Portland Cement	Oct. 11
Associated Portland Cement	Oct. 11
Associated Portland Cement	Oct. 11
Associated Portland Cement	Oct. 11
Associated Portland Cement	Oct. 11
Associated Portland Cement	Oct. 11
Associated Portland Cement	Oct. 11

Providing for tax of £145,000, against £58,500, the net balance emerged at £134,400 against £32,000.

For 1976 profits totalled £534,000 from which a dividend of 3.285p net was paid.

## Cray Elect. record profit

WITH TURNOVER almost steady at £3.7m, against £3.55m, profit after tax and charges of Cray Electronics rose to a record £282,474 from £248,901 in the year to April 30, 1977.

The profit after tax of £149,232 (£266,718) and excludes a £30,280 extraordinary loss.

Earnings per 10p share are stated at 3.46p (4.1p) while final dividend is ahead from 0.8p to 0.82p taking total payout to 1.32p (1.3p).

## A little hope for Thanet warrants

It now appears that the holders of warrants in Thanet Investment Trust, one of the quietest managed by Leopold Joseph and now being put into voluntary liquidation, may receive something for their investment after all. But it will not be much.

According to the formal document proposing voluntary liquidation and giving notice of the EGM at which it is to come up for the vote, net assets per share at September 14, after allowing for the expenses of liquidation, were estimated at 81.6p.

With the subscription price per warrant at 80p, warrant holders, who are to be treated as though their subscription rights had been exercised immediately before the passing of the resolution, may obtain a small distribution on liquidation.

The meeting is to be held at Garrard House, Gresham Street, E.C., at 10 a.m. on November 1.

## Recovery by O. C. Summers

A turnaround from a loss of £414,000 to a pre-tax profit of £144,000 is reported by O. C. Summers (Holdings) for the first half of 1977, on turnover of £4.9m against £4.1m.

Earnings per 25p share are stated at 3.588p compared with a 9.532p loss. Again there is no dividend. The last payment was 3p for 1975.

Tax for the half-year took £70,000 (£78,000 credit) leaving the net balance at £74,000 (£39,000 loss).

## Sizewell investment policy

Confidence in continuing a policy of holding most overseas investments through currency loans, secured largely by U.K. Government stocks and local authority bonds, is expressed by Lord M. Cripps, chairman of Sizewell European Investment Trust.

These loans provide the flexibility which is particularly important at times of currency uncertainty and reduce the exposure to fluctuations in the level of the investment currency premium, he tells members.

These fluctuations at the end of August, 1977, represented 3p out of a net asset value of 89p per 10p share.

As already reported, the trust's pre-tax revenue rose from £227,489 to £257,604 in the year ended July 31, 1977. Net dividend is lifted from 1.4p to 1.5p.

Funds fell in the year from £3.54m to £7.56m, while their application was reduced from £3.52m to £2.37m, and liquidity increased by £194,519 (£22,210).

Over the year the proportion of the equity portfolio invested in the Netherlands, U.S. and U.K. increased while exposure to the French market was substantially reduced, Lord Cripps adds.

Favourable currency movements had a beneficial effect on the company's net asset value which fell only marginally from 91.4p to 90.9p.

Despite the steady decline of longer-term interest rates during the year stock markets generally failed to reflect the continued recovery of most industrialised economies and the improvement in the level of corporate profits, the chairman says.

Only the Japanese and U.K. markets recorded significant advances while the markets in France, Italy and the U.S. all showed falls in excess of 5 per cent.

## Govett European outlook

4 maintained net dividend of 4p per 25p share is hoped for the current year by the directors of Govett European assets, Mr. D. A. H. Baer, the chairman, tells members.

The payment has been raised in 1.5p to 1.8p for 1977 following an increase in income, in part to a non-recurring item, namely the sale of the 1st German bond portfolio. These bonds were sold after a 1 year's interest holiday, which was expected and the proceeds were distributed and earned further interest in the London market.

As reported on August 26, pre-revenue expanded to £556,410 (£1,100) on total income of 3,253 (£766,098). Liquidity at the end was up £2.96m, an increase of £3.08m.

A geographical analysis of investments shows, as a percentage of total assets: France 13.8, Netherlands 13.8, Switzerland 5, U.K. 10.5 and elsewhere 1.6. Of the remainder, convertible and indexed bonds represented 1.4, short-dated bonds 41.3, net current assets 3.3, and investment currency premium 12.

The outlook of the principal European markets remains uncertain says Mr. Baer, interest rates may decline further in Germany and the Netherlands, and this should support share prices.

In France the outlook depends on the election due next spring. Certain shares are at present cheaply valued with the result that possible risks are well counted and there may be interesting opportunities for investment in the forthcoming months.

At June 30, 1977, the investment currency premium on EEC shares was 8.2p per share to the trust, or 10 per cent. of net assets. A loss of this order is not insignificant in the long run the ending of the premium on EEC shares would be enormous to the benefit of members and enable the directors to pursue a more active investment policy in European markets, the chairman says.

Meeting, Winchester House, E.C., on November 3 at 11.30 a.m.

## GRAND MET.

During the nine months ended June 30, 1977, the value of the external sales of Grand Metropolitan group increased by about 18.5 per cent. compared with the corresponding period of the previous year.

## SHARE STAKES

Allison Colloids Group: J. Dawes, a director, sold 20,000 shares on October 8 and 22,770 on October 4.

Broadstone Investment Trust: Refuge Assurance beneficially holds £34,000 3.5 per cent. cumulative Preference stock (3.5 per cent.).

## Parker Knoll Limited

### Profit Tops £2¼ million

12 months to 31st July	1977	1976
	£'000	£'000
Group sales	17,299	14,594
Profit before tax	2,268	1,747
Profit after tax	1,158	839
Earnings per 25p share	25.6p	18.5p
Dividend payments per share	3.226p	2.889p

*Points made by the Chairman, Mr. M. H. T. Jourdan*

- ★ Profit doubled in 2 years.
- ★ Record exports at £2.1 million.
- ★ Net assets per share 123p.

## AGB THE MARKET RESEARCH GROUP

### SUMMARY OF RESULTS

	1977	1976
Turnover	£7,949,458	£6,079,045
Profit before tax	1,008,879	752,479
Profit after tax attributable to shareholders	418,907	335,468
Dividends	127,466	110,414
Retained profit	291,441	225,054
Earnings per share	6.66p	5.56p

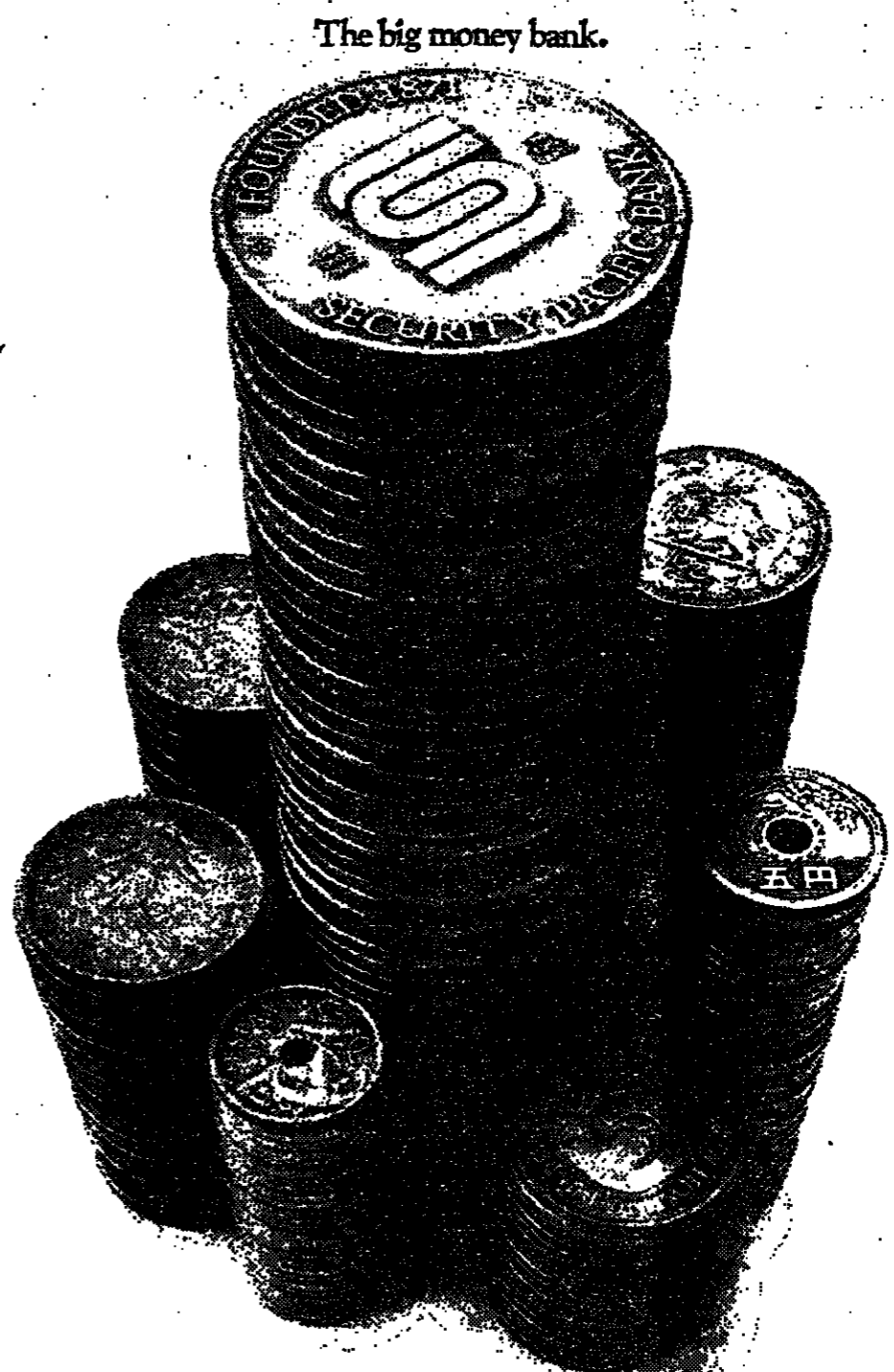
Points from the Review by the Chairman, Mr. Bernard Audley—

- Turnover up 31% and pre-tax profit up 34%.
- Confirming strong cash flow.
- Funds on deposit increased by £521,709.
- Prospects of expansion at home and overseas over the next few years.

Contact the Annual Report and Accounts may be obtained from the Company Secretary at—

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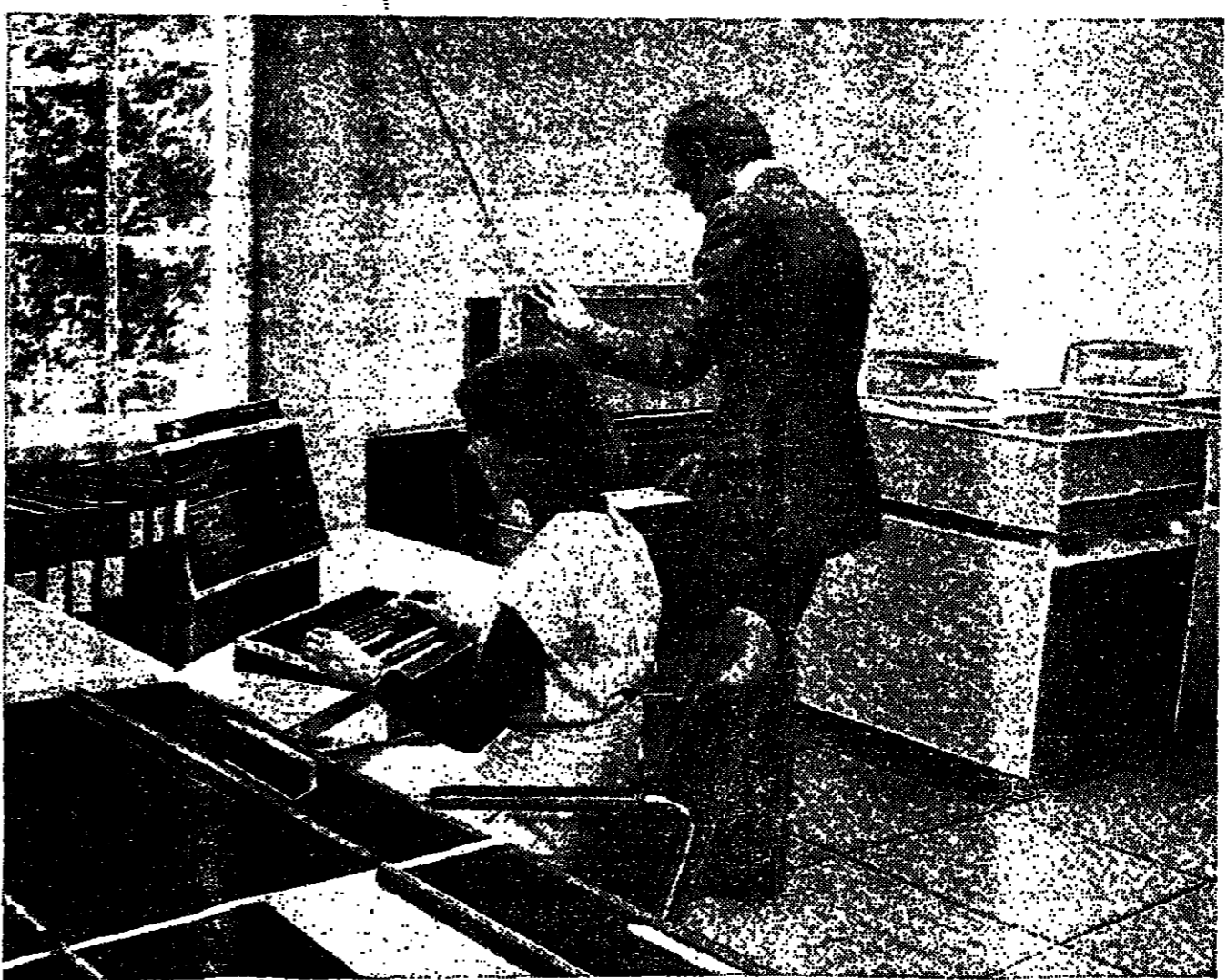
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HOME NEWS

Education export drive urged

BY MICHAEL DIXON, EDUCATION CORRESPONDENT
MAJOR export drive in British construction companies and national goods and services urged at the National Economic Development Council's meeting in London yesterday by Michael Young, retiring chairman of the National Council...

Accountants combine to form new international body

BY MICHAEL LAFFERTY
ACCOUNTING BODIES from more than 50 Western countries have combined to form a new worldwide organisation for the profession. Known as the International Federation of Accountants (IFAC), it has been formed by representatives of the 4,000 delegates attending the 11th International Congress of Accountants in Munich...

Railway director moves

By Margaret Reid
MR. DAVID JONES, who was until recently executive director (finance) of the British Railways Board, has become finance director of Allied Investments, the nursing homes and medical supplies concern of which Sir Richard Marsh, former chairman of British Railways, is chairman-designate...

BP executive posts for F. K. Rickwood

Mr. F. K. Rickwood has been appointed managing director of BP EXPLORATION COMPANY and chief executive of BP Petroleum Development. He was previously president and chief executive of BP Alaska Inc. a post he had held since 1969.

HOME CONTRACTS £5m. shipbuilding order goes to Robb Caledon

ROBB CALEDON SHIPBUILDERS has been awarded a contract worth almost £5m. for the construction of a 4,350 tons dead-weight self-unloading bulk carrier for Associated Portland Cement Manufacturers. The ship is to be operated in the New Zealand coastal trade by Golden Bay Cement of Wellington...

Fisher Price to produce toys at Peterlee

SHER PRICE, the U.S. toy subsidiary of Quaker Oats, is to set up a £1.25m. factory in two advance stories at Peterlee New Town, Durham. Initially, the project will provide 80 jobs but the firm is expected to rise to over 400 in five years.

FLETCHER SUTCLIFFE WILD, Horbury, Yorkshire, has won orders worth £5m. from the National Coal Board for three rapid loading installers.

SALEM ENGINEERING COMPANY, Milford, near Derby, has been awarded a £2.2m. order from the British Steel Corporation for its Shepote Lana, Sheffield, works. The order, for the mechanical equipment of a stainless steel bright annealing line, includes supply, erection and commissioning.

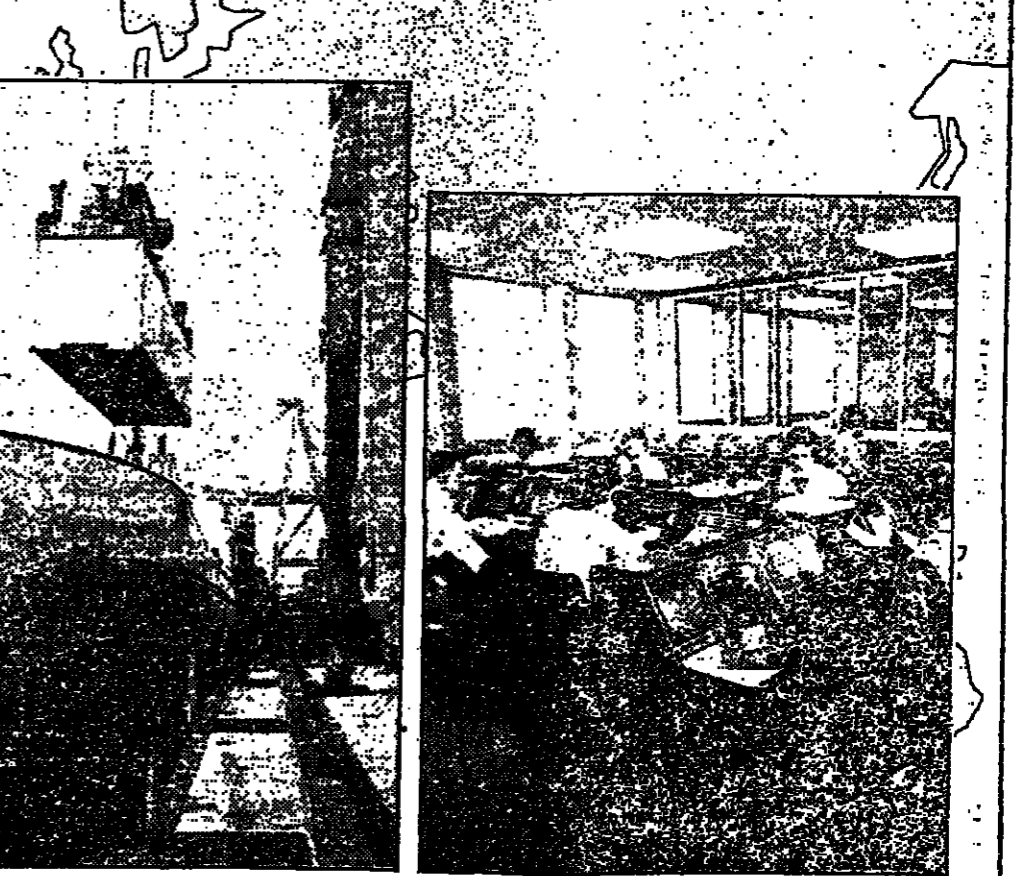
World Value of the Pound

The table below gives the latest available rates of exchange for the pound against various currencies on October 10, 1977. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Table with columns: Place and Local Unit, Value of £ Sterling, Place and Local Unit, Value of £ Sterling. Lists various countries and their exchange rates.

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Table with columns: Place and Local Unit, Value of £ Sterling, Place and Local Unit, Value of £ Sterling. Continuation of the World Value of the Pound table.

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# A world power in the making

CHINESE foreign policy has not changed direction in the year since Chairman Mao died but it has certainly become more active. China's single-minded drive for development, defined by Premier Chou En-lai in 1975 (comprehensive modernisation by the year 2000 so that China will be advancing "in the front ranks of the world") and eagerly embraced by the present leadership after the instability of the last couple of years, implies the understanding of a need for short cuts via outside sources of technology. In the present situation, that means the U.S. and Japan.

Surprisingly, perhaps, in view of the fact that many outsiders were inclined to believe that in quarrel with Moscow was a private vendetta of Chairman Mao's, there has been no rapprochement of any sort with the USSR. The Sino-Soviet dispute over ideology and questions of border territory remains at a complete impasse.

Peking is still preoccupied with the idea of inevitable global conflict because of the supposedly inherent imperialist nature of the U.S. and the USSR, over the past year Chinese leaders have given the idea even more of an airing. Recently however they have begun to qualify the theory by saying that such an event is being rendered less likely by the increasing unity of the medium-sized industrialised countries.

The traffic in the other direction has always been less, as the Chinese, particularly senior officials, have not hitherto been great travellers. Since the Eleventh Congress, the visit of a Politburo member, Ulanfu (who is in fact a Mongolian, not a Han Chinese), to Australia and New Zealand, and a senior military mission to France may be pointers to impending change.

is a policy Vice-Premier Teng may encourage, since he himself went to France in 1975, where he had spent three years as a student in the 1920s.

China's two high-level visitors since the 11th Congress, Mr. Cyrus Vance, the U.S. Secretary of State, and President Tito of Yugoslavia, show how its global policy works out in practice. While Teng Hsiao-ping irritably attacked the U.S. after the unproductive talks with Mr. Vance on the future of Taiwan and the normalisation of Sino-U.S. relations, the fact is that Peking will continue to have dealings with Washington simply because it must preserve a balance in its policy.

The recent senior military mission to France indicated that China wanted to buy weapons, and Teng Hsiao-ping in conversation with a delegation of defence experts from West Germany (having said "with passionate conviction" that there would be no drawing together with the USSR) noted that China and West Germany had "common defence interests". A Swedish military mission to Peking is due at the end of this month. European sales of weaponry are clearly in the air.

One must at least consider the possibility that the Chinese are playing on European anxieties to induce a favourable response to requests for sensitive equipment. Furthermore, by constantly referring, as they do, to the Soviet threat in Europe, they might actually hope to get the NATO countries to divert Soviet attention away from the long

border with China. If this sounds excessively Machiavellian, one must remember that the Chinese are probably 10-15 years behind the USSR in defence, and feel themselves territorially threatened by it.

While the Chinese express their ambitions in strictly economic terms, they are certainly not blind to the fact that if their economic strength grows as planned, it will bring them status comparable with that of the superpowers. A developed economy, plus their huge population (1986, according to the latest U.S. estimate) and their cultural unity will make them a force to be reckoned with. They deny that they will ever behave as other superpowers do, but in the long run they can hardly avoid actually becoming one. In a few years the world might have to adjust to the mutually unerring sight of China rapidly developing considerable economic and military power.

On the other hand, their main preoccupation for some time to come will be the management of their own increasingly complex society. Commenting on the rate of fuel and raw materials to end product in China, the People's Daily last week noted how inefficient its industry was compared with that of foreign countries. It has been slow to recover from the economic debacle caused by the "ganzou" of four.

Indeed, many of the problems, like the redundancy of the railways, for instance, date back much further than the gan-

### Missions

Chairman Hua implicitly justified relations with the U.S. in his Party Congress report with a quote from Lenin to the effect that one should seize every opportunity of gaining a mass ally "even though this ally be temporary, vacillating, unstable, unreliable and unconditional".

As for President Tito, although he personifies the revisionism for which the Chinese have belaboured the Russians, he is welcome in China as the first East European leader to defy the Soviet Union. In the longer run, too, Peking may see him providing a bridge to the Communists of Western Europe whom it may well should try to loosen their ties with Moscow.

It makes sense to wonder how far the Chinese exaggerate their belief in the possibility of a third world war for their own purposes. Domestically, the NATO countries to divert Soviet attention away from the long

### Debacle

On the other hand, their main preoccupation for some time to come will be the management of their own increasingly complex society. Commenting on the rate of fuel and raw materials to end product in China, the People's Daily last week noted how inefficient its industry was compared with that of foreign countries. It has been slow to recover from the economic debacle caused by the "ganzou" of four.

Indeed, many of the problems, like the redundancy of the railways, for instance, date back much further than the gan-

Financial Times Tuesday October 11 1977

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In the Matter of the Companies Act, 1948  
In the Matter of THE GENERAL INVESTMENT TRADING COMPANY LTD.  
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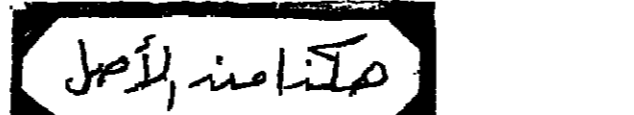
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INTERNATIONAL FINANCIAL AND COMPANY NEWS

Fall takes index to new low for year

THE EURODOLLAR BOND market continued to slide yesterday, but there was reportedly even less selling by investors than last week.

The Bondtrade index for medium-term issues hit a new 1977 low yesterday evening of 101.96, down from 102.08 on Friday evening, while the index for long-term bonds fell to 95.33 from 95.45.

The Dollar sector is attracting some demand from investors because of currency factors, dealers said yesterday.

On the monetary aggregates, Bankers' Trust says: "The Federal Reserve will most likely be struggling with buoyant aggregates in October, especially with the M2 which is expected to be disclosed in next week's release."

On the long-term perspective for the U.S. economy, few if any of the newsletters are suggesting anything but a pick-up in economic activity.

Oerlikon takes control

BY JOHN WICKS

THE SWISS shoe concern, C. F. Bally AG, to-day came under the formal management of the Zurich-based conglomerate Oerlikon-Buehrle Holding AG.

The existing seven directors resigned at the end of an extraordinary general meeting held here and were succeeded by a three-man Board consisting of directors of Oerlikon-Buehrle.

This election marked "the end of the Rey era," said Dr. Walter Koelch, hitherto company president.

since early this year the controlling shareholders of Bally, last month announced that he had agreed to sell his stock to Oerlikon-Buehrle at the Bourse.

Oerlikon-Buehrle has since offered other Bally shareholders two of its registered shares for each registered share of Bally.

Bally is to be integrated into the S.Frs.2.56bn. Oerlikon-Buehrle group.

The holding a total of S.Frs.49.94m.

State aid for Van Der Giessen

By Michael van Os

AS PART of the general restructuring programme for the Dutch domestic shipbuilding industry, Dutch Government has decided to give substantial financial support to the Van Der Giessen-De Noord Company.

According to a statement published by the shipbuilder, it can count on receiving a loan of Fl.100m. from the National-Investeringsbank.

Giessen said in its statement that the expected loss for this year in the new building sector would exceed the provisions of Fl.15m.

The Giessen Board's statement added that the current order portfolio would mean a good capacity utilisation until the end of next year.

ROLINCO, which is part of the large Dutch-based Reheer Investments Company, proposes to declare a 5 per cent stock distribution from the share premium reserve.

The Board said, ahead of the AGM on November 29 that it was again making a stock distribution as the company had no obligation to declare a cash dividend for the financial year 1977.

SELECTED EURODOLLAR BOND PRICES

MID-DAY INDICATIONS

Table with columns: STRAIGHTS, Bid, Offer, Economic Libr, Bid, Offer. Lists various bond types and prices.

NOTES

Table with columns: Country, Bid, Offer. Lists various international notes and their prices.

FLOATING RATE NOTES

Table with columns: Bank, Bid, Offer. Lists floating rate notes from various banks.

FRENCH COMPANIES Profit upturn at G O

BY DAVID CURRY

GENERALE Occidentale, the master company of Sir James Goldsmith, which last month completed the full takeover of the Cavenham group, is proposing to maintain its dividend for the 1976-77 financial year at Fr.5.50 per share.

After a minority interests profit down to the group is Fr.38.48 against Fr.31.21m, while the Cavenham group, is proposing to maintain its dividend for the 1976-77 financial year at Fr.196.5 against Fr.158.5.

General Occidental went into 1977 as the 51 per cent owner of Cavenham. Its first attempt to acquire the remaining shares had to be abandoned when the projected price of 120p per share proved unacceptable to some large minority interests.

SCANDINAVIAN COMPANIES Kone Oy eight month rise

BY LANCE KEWORTH

KONE OY, the Finnish multinational maker of lifts, cranes and transport equipment, reports for the parent company compared with the first eight months of 1976.

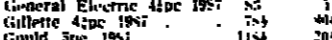
Turnover in the lift division, the biggest division in value terms, increased by 6.6 per cent to Fmk.450.6m.

Investments are running at roughly the same level as in 1976, when the total outlay was about Fmk.55m.

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Elektrowatt growth checked

BY OUR OWN CORRESPONDENT

PROFITS growth limited to 10 per cent, owing to losses in Germany and Switzerland and a Sw.Frs.120m. financing operation are announced by Elektrowatt AG, the Swiss holding company.

Profits in the year ended June rose to Sw.Frs.18.9m. from Sw.Frs.17.1m. and the dividend being held at 10 per cent.

Elektrowatt's two major problem areas are the Swiss contract Ernst Goehner AG and the German wood products undertaking Bartels-Ibus GmbH.

Ernst Goehner, one of Switzerland's major contractors, has been badly hit in the recent past by the slump on the domestic housing market.

The companies affected by the order are Messer Griesheim, Linde, Air Products, AGA, IGA, and Union Carbide.

Cartel Office rules on gas producers

BY ADRIAN DICKS

LEADING WEST GERMAN producers of industrial gases have been ordered by the Federal Cartel Office to discontinue long-term supply agreements with customers, as part of what the office describes as a move to enhance competition in the industry and to make it easier for new entrants to gain a foothold in the market.

The companies affected by the order are Messer Griesheim, Linde, Air Products, AGA, IGA, and Union Carbide.

The Cartel Office said in announcing its order that it subjects to the practice of making

ness is not sufficiently important to offset losses at home. After a large loss in 1975-76, the company presented a practically balanced profit-and-loss account last year, but only as a result of the use of part of considerable loss and risk reserves created by Elektrowatt in the previous business period.

The German firm Bartels-Ibus of Langenberg, remained in the red and needed "further substantial support" from Elektrowatt. A programme has now, however, been carried out to improve the production range and profitability of Bartels-Ibus.

Losses, though of a smaller nature, were also booked last year by the Swiss-based Thermo group—a producer of kitchen and household equipment with subsidiaries in Germany and Austria—and two Swiss builders' merchant suppliers manufacturers, Koenigler AG of Alistair and Bauwerk Bodenbelag.

Its workforce in the steel sector fell by almost 1,000, or around 5 per cent, over the year but the total number employed by the company was unchanged at 31,900.

deliveries of some gases changed from the previous year at DM4.1bn., reports Reuter from Duisburg.

In a provisional report on the year, the company said its result was affected primarily by the steep fall in the price of rolled steel, but gave no other details.

Rolled steel production was slightly below the previous year's level at 3.6m. tonnes, but production of sheet and hot wide band products of the company's Bremen smelter was significantly higher, Klockner-Werke said.

WEST GERMANY'S third largest steelmaker Klockner-Werke said its turnover in the year ended September 30 was about un-

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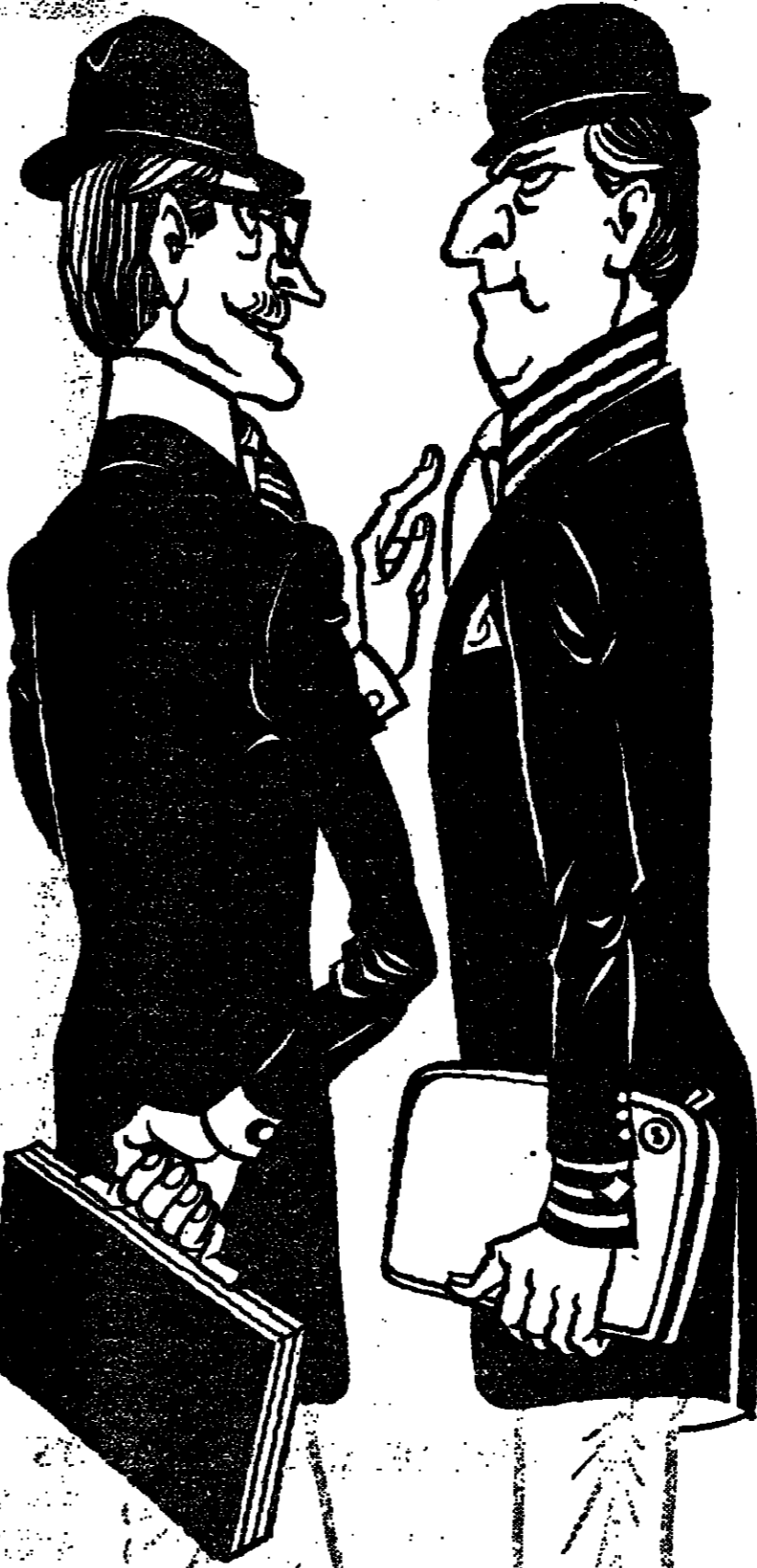
INTERNATIONAL FINANCIAL NEWS

CREDIT RATING IN CANADA

Battle of the fledglings

BY JAMES SCOTT IN TORONTO

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Haking takes Swiss stake

BY OUR OWN CORRESPONDENT

ZURICH, Oct. 10.

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Jardine restructures in Malaysia

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62% increase at AWA

BY JAMES FORT

SYDNEY, Oct. 10.

AMALGAMATED WIRELESS (Australasia), the major electronics group, boosted earnings 62 per cent from \$A3.5m. in a changes and the re-assessment of priorities which has been continuing since 1976...

Bahrain is top currency area in Gulf

By William Hall

BAHRAIN appears to have firmly established itself as the main foreign exchange trading centre in the Gulf. According to the Bahrain Monetary Agency which monitored the market during the last week of September, foreign exchange turnover is now running at an estimated \$5bn. a month...

Elron 23% decline

BY L. DANIEL

HAIFA, Oct. 10.

ONE OF Israel's leading electronics producers, Elron, intends to declare its 10 per cent interim cash dividend as the final for the fiscal year 1976-77...

Furner deal with SIA

BY H. F. LEE

SINGAPORE, Oct. 10.

NGAPORE AIRLINES (SIA) signed an agreement with Furner (East Asia), a subsidiary of a New York-based aircraft management firm...

Aseam capital to be halved

BY JAMES FORT

SINGAPORE, Oct. 10.

ALLOWING the restructuring of the Asian and European Merchant Bank (ASEAM), under which Bank America will effectively raise its stake to 33 per cent, the capital of ASEAM will be reduced from the present \$624 million to about \$312 million...

These Bonds were offered and sold outside the United States of America. This announcement appears as a matter of record only.

Natomas International Corporation

(Incorporated in the State of California, U.S.A.)

U.S. \$30,000,000

8% Guaranteed Bonds due 1984

Guaranteed as to principal, premium (if any) and interest by

Natomas Company

(Incorporated in the State of California, U.S.A.)

Swiss Bank Corporation (Luxembourg) Limited

Amsterdam-Rotterdam Bank N.V.

Banque de Paris et des Pays-Bas

Dresdner Bank Aktiengesellschaft

Salomon Brothers International Limited

Banque Nationale de Paris

Credit Suisse White Weld Limited

European Banking Company Limited

Hambros Bank Limited

Marginal loss after very thin trade Gold firmer

BY OUR WALL STREET CORRESPONDENT

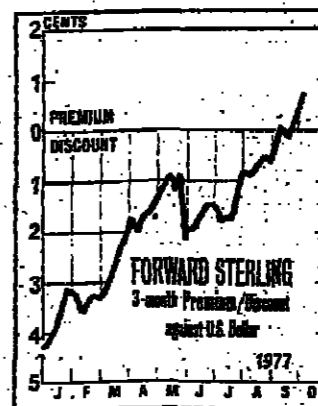
NEW YORK, Oct. 10.

WITH MANY investors observing policy. Just last Friday, the Fed raised its target on key Fed Fund rate to 6 1/2 per cent, and the slowest trading session so far this year. Stocks drifted lower, reflecting concern over interest rate moves, before partially recovering later.

movements ranging between gains of D10.15 and losses of D10.20. CANADA—Stock Markets were closed for Thanksgiving Day.

MILAN—Mostly lower in thin trading conditions. Unilever shed Frs.0.40 in Dutch dealings.

Gold rose sharply in the London market yesterday, closing at its highest level since the abolition of the official gold price as part of the International Monetary Fund's plan for monetary reform, at the end of 1973. At that time, the IMF decided to insulate the present series of gold auctions, which then led to a sharp fall in the value of the metal.



GOLD MARKET table listing various gold prices and movements. Columns include 'Gold Bullion', 'Gold Bars', 'Gold Coins', and 'Gold Jewellery' with prices in different currencies.

OTHER MARKETS

Germany higher

Shares on the German Bourse extended last week's gains on institutional and foreign buying interest, but with heavy demand easily absorbed.

BRUSSELS—Local shares were irregular with losses slightly predominating in fairly active trading.

Union Miniere shed Frs.4 to Frs.850 after reporting first-half revenues unchanged on a year ago. Sofina lost Frs.70 to Frs.2,500 and UCB Frs.1,420 to Frs.1,400.

STOCKHOLM—Barely steady. Veit Magnesit lost 10 points to 220.

OSLO—Industrials, Banks, Insurances and Shippings were quiet. SWITZERLAND—Mostly firmer on selective demand, bolstered by the high liquidity of the capital market and declining bond interest rates.

CURRENCY RATES

Currency Rates table showing exchange rates for various currencies including Sterling, Swiss Franc, Japanese Yen, and others.

EXCHANGE CROSS-RATES

Exchange Cross-Rates table showing rates between major currencies like New York, London, Frankfurt, and Zurich.

Indices

NEW YORK—DOW JONES

Dow Jones index table with columns for Oct 10, 9, 8, 7, 6, 5, 4, 3, 2, 1, 1977, and 1976. Includes sub-tables for Industrial, Transport, and Utilities.

MONDAY'S ACTIVE STOCKS

Monday's Active Stocks table listing various stocks like Avon, Amgen, and others with their prices and changes.

RISES AND FALLS

Rises and Falls table showing price changes for various international stocks.

EURO-CURRENCY INTEREST RATES

Euro-Currency Interest Rates table showing rates for different currencies and terms.

FORWARD RATES

Forward Rates table showing rates for various currencies and terms.

STANDARD AND POORS

Standard and Poors index table with columns for Oct 10, 9, 8, 7, 6, 5, 4, 3, 2, 1, 1977, and 1976. Includes sub-tables for Industrial, Composite, and Long Term Bond Yield.

MONTEREAL

Montreal stock market table with columns for Oct 10, 9, 8, 7, 6, 5, 4, 3, 2, 1, 1977, and 1976.

TORONTO

Toronto stock market table with columns for Oct 10, 9, 8, 7, 6, 5, 4, 3, 2, 1, 1977, and 1976.

AMSTERDAM

Amsterdam stock market table with columns for Oct 10, 9, 8, 7, 6, 5, 4, 3, 2, 1, 1977, and 1976.

BRUSSELS/LUXEMBOURG

Brussels/Luxembourg stock market table with columns for Oct 10, 9, 8, 7, 6, 5, 4, 3, 2, 1, 1977, and 1976.

OVERSEAS SHARE INFORMATION

NEW YORK

Large table of New York overseas share information listing various international stocks and their prices.

CANADA

Table of Canadian overseas share information listing various international stocks and their prices.

AMSTERDAM

Table of Amsterdam overseas share information listing various international stocks and their prices.

BRUSSELS/LUXEMBOURG

Table of Brussels/Luxembourg overseas share information listing various international stocks and their prices.

PARIS

Table of Paris overseas share information listing various international stocks and their prices.

STOCKHOLM

Table of Stockholm overseas share information listing various international stocks and their prices.

Handwritten signature 'J. J. J. J.' at the bottom of the page.

ANIMAL FEEDS AND RAW MATERIALS

Animal feed prices down again

Our Commodities Staff... E MAIN British animal feeders have cut their prices for fourth month in succession...

EEC threatened with split over beef plans

By Robin Reeves... REACTIONS to the European Commission's plans for shifting the Common Market over to a U.K.-type beef market support system will be given at a meeting of EEC Ministers of Agriculture in Luxembourg tomorrow...

Russia cotton harvest to be record

By David Satter... MOSCOW, Oct. 10. LEONID MESYATS, Soviet Agriculture Minister, says the cotton harvest this year is greater than the 8.6m. set in 1974...

U.S. stockpile policy outlined

By David Bell... WASHINGTON, Oct. 10. THE CARTER Administration is going ahead with plans to build up its stockpile of some key metals and other commodities while reducing others...

New pact may end sugar row

By John Edwards... THE SUCCESSFUL conclusion of the new International Sugar Agreement in Geneva last Friday may help break the deadlock in the row between Australia and Japan over the long-term supply contract...

COFFEE MARKET

Brazilians angry at price tactics

By Sue Branford, in Sao Paulo, Oct. 10. PRODUCERS AND traders are would feed inflation. However, observers believe that the government's move may herald a change in government policy...

to reduce pressure on their work force. They are also unhappy that no measures have been taken to solve the problem of transfers from non-existent foreign sales that are fraudulently registered to obtain Government loans...

Rubber 'task force' talks under way

GENEVA, Oct. 10. A "TASK FORCE" representing leading producers and users of natural rubber met today to discuss details of an international agreement to stabilise prices and markets...

China may join wheat pact talks

By Our Own Correspondent... THE CHINESE administration is considering participating in talks on a new world wheat pact, according to Mr. Otto Lang, Minister in charge of the Canadian Wheat Board...

U.S. coffee, cocoa and sugar markets were closed for Columbus Day

U.S. coffee, cocoa and sugar markets were closed for Columbus Day, Canadian grain markets were closed for Thanksgiving Day...

FORE THAI TIN

BANGKOK, Oct. 10. Thailand's production of tin concentrate in the first half of year rose to 18,400 tonnes or 18.41 in the same period of year.

Tin rallies after losses

By Our Commodities Staff... TIN PRICES lost ground yesterday on the London Metal Exchange following a fall in Penang over the weekend, and a higher than expected rise in LME warehouse stocks...

DUTCH CUT COFFEE PRICE

AMSTERDAM, Oct. 10. The retail price of a 250 gramme packet of coffee in Holland will be cut by 0.45 guilders to an average 5.57 guilders from tomorrow...

COMMODITY MARKET REPORTS AND PRICES

Table with multiple columns listing commodity prices for metals, grains, and other goods. Includes sub-sections for ASME METALS, RUBBER, SOYABEAN MEAL, and SUGAR.

PRICE CHANGES

Table showing price changes for various commodities, including metals, grains, and oils. Columns include item name, price, and change.

U.S. Markets

Table listing U.S. market prices for various commodities such as soybeans, wheat, and other grains.

Soybeans, grains easy

NEW YORK, Oct. 10. PRECIOUS METALS and copper closed on an easier buying and speculative shorting market...

Second European Commodity Conference. November 7, 8 & 9 - Paris Sheraton. With the participation of the Chairman of the Chicago Board of Trade and 15 other US, British and Continental experts.

LEGAL NOTICES

THE HIGH COURT OF JUSTICE... NOTICE IS HEREBY GIVEN that a Petition for the winding up of the above-named Company by the High Court of Justice was presented to the High Court by the Liquidator of the said Company...

GRAINS

Table listing grain prices for various types of wheat, corn, and other cereals.

SILVER

Table listing silver prices in various forms and currencies.

COCOA

Table listing cocoa prices for different grades and origins.

FINANCIAL TIMES

Table showing financial data and market indices from the Financial Times.

DOV JONES

Table listing Dow Jones index values and related market data.

MOODY'S

Table listing Moody's credit ratings and related financial information.

AMERICAN STOCK Exchange commodity plan

NEW YORK, Oct. 10. THE AMERICAN Stock Exchange is forming the Amex Commodity Exchange and spot trading in gold and silver bullion.

CRISPER FISH

CRISPER FISH - Supply good, demand steady. Prices at ship's side approached record levels...

PALM OIL

LONDON, Oct. 10. PALM OIL - Closing unchanged. December unchanged, February 22.50, April 22.50, June 22.50, August 22.50, October 22.50, December 22.50.

PERSONAL

NOTICE - Any person who intends to appear on the hearing of the said Petition must serve a copy of the Petition on the Liquidator of the said Company...

STOCK EXCHANGE REPORT

Shake-out in Funds continues and leaves falls to £2 5/8 Shares trade at lower level—Index ends 8.1 down at 509.1

Account Dealing Dates Option First Declared Last Account Dealings Days Dealings Day... Account Dealing Dates Option First Declared Last Account Dealings Days Dealings Day...

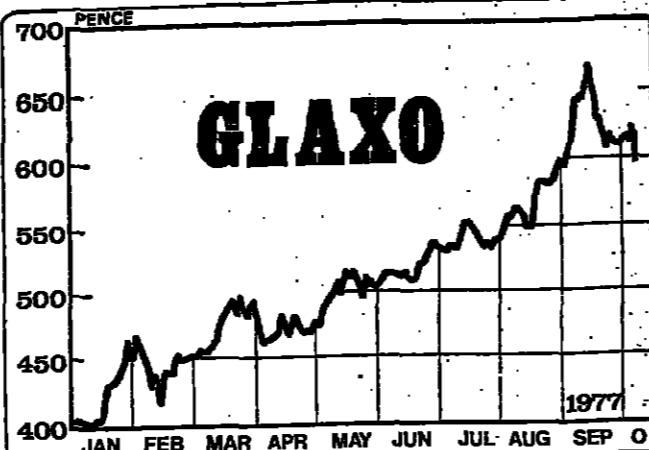
Shares in the wake of the recent heavy demand for sterling. Prices closed at the day's lowest with widespread falls ranging to 2 1/2 and late trade was being transacted at levels 3 1/2 points below last Friday's close.

House of Fraser ease The Store leaders gave ground, Victor Products met with support with Gus A reacting 6 to 32 1/2 and on 5 to 20 1/2 while Jenks and Marks and Spencer 4 to 18 1/2 and Debenhams gave up 3 to 17 1/2.

Colman, 46 1/2p, Beecham, 64 1/2p, were unaltered at 290 following the preliminary figures. Following Friday's announcement that the merger talks had failed to produce offer returns, Edinburgh and Dundee investment opened easier at 15 1/2 before rallying in active trading to close 2 1/2 easier on balance at 15 1/2.

Among Newspapers, News International hardened to 220 1/2 in front of to-morrow's half-yearly results; while East Midlands Allied Press moved up 4 to 6 1/2p in response to favourable week-end Press mention.

Among Newspapers, News International hardened to 220 1/2 in front of to-morrow's half-yearly results; while East Midlands Allied Press moved up 4 to 6 1/2p in response to favourable week-end Press mention.



ing a Press suggestion that it might make a reverse take-over move to bid for Laurus, 1 dealer at 48p, 4 1/2p, while Spirax Sarco fell 2 more to 28 1/2p ahead of to-morrow's interim results.

FINANCIAL TIMES STOCK INDICES Table with columns for various indices (Government Secs, Fixed Interest, Industrial Ordinary, Gold Mines, Ord. Div. Yield, etc.) and rows for Oct 10, 7, 6, 5, 4, 3, 2, 1, 0, and 1 year ago.

HIGHS AND LOWS S.E. ACTIVITY Table showing high and low prices for various stocks and S.E. activity for Oct 10 and 7.

NEW HIGHS AND LOWS FOR 1977 Table listing new high and low prices for various stocks throughout the year 1977.

FT—ACTUARIES SHARE INDICES

Table of FT—ACTUARIES SHARE INDICES showing equity groups, fixed interest price indices, and fixed interest yields for various categories like British Government, 1-5 years, etc.

RECENT ISSUES

Table of RECENT ISSUES listing various stocks and their prices, including EQUITIES and FIXED INTEREST STOCKS.

"RIGHTS" OFFERS

Table of "RIGHTS" OFFERS listing companies and their rights offers, including details on price and terms.

ACTIVE STOCKS

Table of ACTIVE STOCKS listing various stocks and their current prices and changes.

International Chamber of Commerce and FINANCIAL TIMES Conference October 31/November 1 Café Royal, London. European Business in World Development. Includes details on speakers, topics, and registration.

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AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

Table of Authorised Unit Trusts listing various funds such as Brown Shipley & Co. Ltd., Guardian Royal Ex. Unit Trust, and others with their respective details and prices.

Table of Offshore and Overseas Funds listing various international investment funds such as Fidelity Mgmt. & Res. (Bda.) Ltd., Kemp-Gee Management Jersey Ltd., and others.

BASE LENDING RATES

Table of Base Lending Rates listing various banks and their respective lending rates for different terms.

INSURANCE, PROPERTY, BONDS

Table of Insurance, Property, and Bonds listing various insurance companies and their products, including life insurance, property insurance, and bonds.

Advertisement for a stock exchange investor, featuring a phone number (01 246 8026) and a stylized figure.

Advertisement for Clive Investments Limited, providing contact information and a list of investment services.

Table titled 'INSURANCE BASE RATES' showing various insurance rates and percentages.

CORAL INDEX: 508-513

NOTES

Textual notes and disclaimers regarding the insurance and investment information provided.

Exporting is easier with PAYMENT IN STERLING INTERNATIONAL FACTORS LIMITED

FT SHARE INFORMATION SERVICE

HOTELS—Continued

\*\*BRITISH FUNDS

Table of British Funds with columns for High, Low, Stock, and Yield.

"Shorts" (Lives up to Five Years)

Table of "Shorts" with columns for High, Low, Stock, and Yield.

Five to Fifteen Years

Table of Five to Fifteen Years with columns for High, Low, Stock, and Yield.

Over Fifteen Years

Table of Over Fifteen Years with columns for High, Low, Stock, and Yield.

Undated

Table of Undated with columns for High, Low, Stock, and Yield.

\*\*INTERNATIONAL BANK

Table of International Bank with columns for High, Low, Stock, and Yield.

\*\*CORPORATION LOANS

Table of Corporation Loans with columns for High, Low, Stock, and Yield.

COMMONWEALTH & AFRICAN LOANS

Table of Commonwealth & African Loans with columns for High, Low, Stock, and Yield.

LOANS (Miscel.)

Table of Loans (Miscel.) with columns for High, Low, Stock, and Yield.

FOREIGN BONDS & RAILS

Table of Foreign Bonds & Rails with columns for High, Low, Stock, and Yield.

AMERICANS

Table of Americans with columns for High, Low, Stock, and Yield.

AMERICANS—Continued

Table of Americans—Continued with columns for High, Low, Stock, and Yield.

CANADIANS

Table of Canadians with columns for High, Low, Stock, and Yield.

BANKS AND HIRE PURCHASE

Table of Banks and Hire Purchase with columns for High, Low, Stock, and Yield.

Hire Purchase, etc.

Table of Hire Purchase, etc. with columns for High, Low, Stock, and Yield.

BEERS, WINES AND SPIRITS

Table of Beers, Wines and Spirits with columns for High, Low, Stock, and Yield.

AMERICANS—Continued

Table of Americans—Continued with columns for High, Low, Stock, and Yield.

BUILDING INDUSTRY, TIMBER AND ROADS

Table of Building Industry, Timber and Roads with columns for High, Low, Stock, and Yield.

BUILDING INDUSTRY—Cont.

Table of Building Industry—Cont. with columns for High, Low, Stock, and Yield.

DRAPERY AND STORES—Cont.

Table of Drapery and Stores—Cont. with columns for High, Low, Stock, and Yield.

CHEMICALS, PLASTICS

Table of Chemicals, Plastics with columns for High, Low, Stock, and Yield.

DRAPERY AND STORES

Table of Drapery and Stores with columns for High, Low, Stock, and Yield.

CINEMAS, THEATRES AND TV

Table of Cinemas, Theatres and TV with columns for High, Low, Stock, and Yield.

DRAPERY AND STORES

Table of Drapery and Stores with columns for High, Low, Stock, and Yield.

BUILDING INDUSTRY, TIMBER AND ROADS

Table of Building Industry, Timber and Roads with columns for High, Low, Stock, and Yield.

DRAPERY AND STORES—Cont.

Table of Drapery and Stores—Cont. with columns for High, Low, Stock, and Yield.

ENGINEERING—Continued

Table of Engineering—Continued with columns for High, Low, Stock, and Yield.

ELECTRICAL AND RADIO

Table of Electrical and Radio with columns for High, Low, Stock, and Yield.

ENGINEERING MACHINE TOOLS

Table of Engineering Machine Tools with columns for High, Low, Stock, and Yield.

ENGINEERING MACHINE TOOLS

Table of Engineering Machine Tools with columns for High, Low, Stock, and Yield.

ENGINEERING MACHINE TOOLS

Table of Engineering Machine Tools with columns for High, Low, Stock, and Yield.

ENGINEERING MACHINE TOOLS

Table of Engineering Machine Tools with columns for High, Low, Stock, and Yield.

ENGINEERING—Continued

Table of Engineering—Continued with columns for High, Low, Stock, and Yield.

ENGINEERING—Continued

Table of Engineering—Continued with columns for High, Low, Stock, and Yield.

ENGINEERING—Continued

Table of Engineering—Continued with columns for High, Low, Stock, and Yield.

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ENGINEERING—Continued

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ENGINEERING—Continued

Table of Engineering—Continued with columns for High, Low, Stock, and Yield.

ENGINEERING—Continued

Table of Engineering—Continued with columns for High, Low, Stock, and Yield.

INDUSTRIALS (Miscel.)

Table of Industrials (Miscel.) with columns for High, Low, Stock, and Yield.

FOOD, GROCERIES, ETC.

Table of Food, Groceries, Etc. with columns for High, Low, Stock, and Yield.

HOTELS AND CATERERS

Table of Hotels and Caterers with columns for High, Low, Stock, and Yield.

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INDUSTRIALS—Continued

Table of industrial stocks including companies like British Petroleum, Shell, and ICI, with columns for stock price, price change, and volume.

INSURANCE—Continued

Table of insurance stocks including companies like Sun Alliance, Commercial Union, and Royal Indemnity.

PROPERTY—Continued

Table of property-related stocks including companies like British Land, National Westminster, and City of London.

INV. TRUSTS—Continued

Table of investment trusts including companies like British Venture, British Venture, and British Venture.

FINANCE, LAND—Continued

Table of finance and land stocks including companies like Anglo-Continental, Anglo-Continental, and Anglo-Continental.

YASUDA TRUST AND BANKING logo and name.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade stocks including companies like Rover, Jaguar, and British Aerospace.

SHIPBUILDERS, REPAIRERS

Table of shipbuilders and repairers stocks including companies like Harland & Wolff, Swan Hunter, and Scotts Shipbuilding.

SHIPPING

Table of shipping stocks including companies like P&O, Cunard, and British Overseas Airways.

SHOES AND LEATHER

Table of shoes and leather stocks including companies like Clarks, J. & S. Peal, and J. & S. Peal.

SOUTH AFRICANS

Table of South African stocks including companies like Anglo-American, Anglo-American, and Anglo-American.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publisher stocks including companies like News International, News International, and News International.

PAPER, PRINTING ADVERTISING

Table of paper, printing, and advertising stocks including companies like Newsprint, Newsprint, and Newsprint.

TEXTILES

Table of textile stocks including companies like British Textiles, British Textiles, and British Textiles.

PROPERTY

Table of property stocks including companies like British Land, National Westminster, and City of London.

TOBACCO

Table of tobacco stocks including companies like British American Tobacco, British American Tobacco, and British American Tobacco.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land stocks including companies like British Venture, British Venture, and British Venture.

OILS

Table of oil stocks including companies like Anglo-Continental, Anglo-Continental, and Anglo-Continental.

OVERSEAS TRADERS

Table of overseas trader stocks including companies like Anglo-Continental, Anglo-Continental, and Anglo-Continental.

RUBBERS AND SISALS

Table of rubber and sisal stocks including companies like Anglo-Continental, Anglo-Continental, and Anglo-Continental.

TEAS

Table of tea stocks including companies like Anglo-Continental, Anglo-Continental, and Anglo-Continental.

MINES

Table of mine stocks including companies like Anglo-Continental, Anglo-Continental, and Anglo-Continental.

CENTRAL RAND

Table of central rand stocks including companies like Anglo-Continental, Anglo-Continental, and Anglo-Continental.

EASTERN RAND

Table of eastern rand stocks including companies like Anglo-Continental, Anglo-Continental, and Anglo-Continental.

FAR WEST RAND

Table of far west rand stocks including companies like Anglo-Continental, Anglo-Continental, and Anglo-Continental.

O.F.S.

Table of O.F.S. stocks including companies like Anglo-Continental, Anglo-Continental, and Anglo-Continental.

FINANCE

Table of finance stocks including companies like Anglo-Continental, Anglo-Continental, and Anglo-Continental.

MINES—Continued

Table of mine stocks including companies like Anglo-Continental, Anglo-Continental, and Anglo-Continental.

AUSTRALIAN

Table of Australian stocks including companies like Anglo-Continental, Anglo-Continental, and Anglo-Continental.

TINS

Table of tin stocks including companies like Anglo-Continental, Anglo-Continental, and Anglo-Continental.

COPPER

Table of copper stocks including companies like Anglo-Continental, Anglo-Continental, and Anglo-Continental.

MISCELLANEOUS

Table of miscellaneous stocks including companies like Anglo-Continental, Anglo-Continental, and Anglo-Continental.

NOTES

Notes section containing various financial notices, company announcements, and market information.

REGIONAL MARKETS

Table of regional market data including stock prices and exchange rates for various regions.

OPTIONS

Table of options data including call and put rates for various stocks.

INSURANCE

Table of insurance stocks including companies like Sun Alliance, Commercial Union, and Royal Indemnity.

PROPERTY

Table of property stocks including companies like British Land, National Westminster, and City of London.

SHIPPING

Table of shipping stocks including companies like P&O, Cunard, and British Overseas Airways.

FINANCE, LAND, etc.

Table of finance, land, and other stocks including companies like Anglo-Continental, Anglo-Continental, and Anglo-Continental.

DIAMOND AND PLATINUM

Table of diamond and platinum stocks including companies like Anglo-Continental, Anglo-Continental, and Anglo-Continental.

NCR Computers & Terminals
NCR Limited, 206 Marylebone Road, London NW1

FINANCIAL TIMES

Tuesday October 11 1977

Top quality ventilation
Vent-Axia the fog fighter

Neddy warnings on new investment and training

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

TWIN WARNINGS about problems facing the British economy in the future if industry does not increase its investment, design and training...

The council's meeting, the first to be held since July, started however with an optimistic tone...

reference to increasing exports. The council's meeting, the first to be held since July...

which started by arguing that the effective margin for expansion of industrial output might be considerably smaller than that suggested by conventional statistics...

Call to Healey

And he warned that companies worried about their competitiveness overseas in the coming months should help further a continued depreciation of the pound to help their price levels.

Pay policy

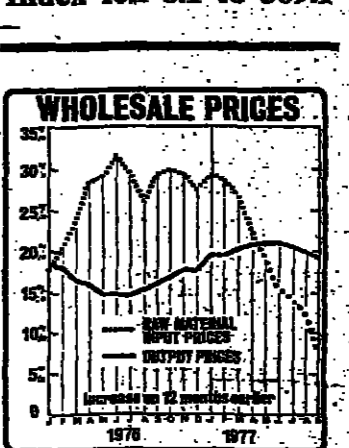
No specific answers emerged from the meeting. Sir Ronald suggested that engineering workers might be attracted by enhanced status, job security and promotion prospects...

Glaxo's profits under sedation

THE LEX COLUMN

The market was nervous about the Glaxo results all day yesterday, and in the event the figures turned out to be short of most expectations...

Index fell 8.1 to 509.1



WHOLESALE PRICES

already be able to borrow from them at market-related rates. Much more worrying is the outlook for the banks' former stable base of seven-day deposits...

Hanson/Industries

In its March balance sheet Hanson Trust showed liquid assets of £307m, and while around third of that may have been held in the U.S., or pledged to the U.K. against U.S. borrowings...

Company profits

After commenting in previous quarters on the distortion produced by the North Sea build-up into the profits sector of the industrial and commercial company sector, the Central Statistical Office is now publishing a separate estimate for...

Champagne Brezhnev welcome for Owen

By David Lascelles

MOSCOW, Oct. 10. THE ENTIRE Soviet senior leadership turned out today to greet Dr. David Owen, the Foreign Secretary...

Employers agree to 20% pay rise for pipefitters

BY PAULINE CLARK, LABOUR STAFF

EMPLOYERS and union negotiators for about 15,000 specialist pipefitters in the heating and ventilating industry have agreed on a pay increase of 20 per cent...

among small and widely distributed specialist companies. The Heating and Ventilating Contractors' Association, which represents the employers...

clusive and specialised industry, and would be little room for public contracts to be diverted elsewhere. The real question, he added, was whether all the small employers would show a strong and united front on the pay issue.

Fire-fighting

The team would co-ordinate the response of all agencies, including those responsible for dealing with the emergency on the spot.

Base rates

Last night Treasury bills were pointing to another point fall in Minimum Lending Rate to 5 1/2 per cent...

Floater

The market in local authority floating rate stock issues is gaining momentum. Yesterday, Strathclyde announced a £25m issue which is virtually identical to the earlier Oldham and Dudley issues...

Undamaged

The approved maintenance programme specified that one type of mechanical safety device (a back pressure valve) should be used during this high-risk period.

New cut-price war likely on air routes to Australia

BY IAN HARGREAVES

THE WAR between British Airways and Laker Airways over the switch to Australian services next year, has a new twist...

with the cheapest proposed British Airways ticket at £235. This, in turn, compares with the existing cheapest off-peak, advance-booked ticket of £450.

advance for British Airways. Laker's is a normal charter operation and British Airways' "super-APEX" scheme designed to fill empty seats on existing flights.

Morgan Crucible announces plant closure

BY DAVID FISLOCK, SCIENCE EDITOR

MORGAN CRUCIBLE, one of three British companies licensed in the mid-1960s to manufacture carbon fibre, announced last night that it was abandoning its venture based at Battersea, south London...

Research Development Corporation for its alleged failure to defend the British patents in the U.S., as having led to a proliferation of sources of the material.

A third licensee was Rolls-Royce, which was originally expected to be a major customer for the material for its RB-211 engine.

Corporation, and built a two companies, which had collaborated in developing the high-temperature processing technology.

Weather

CLOUDY with some rain and fog at first with sunny periods later. London, S.E., E. Anglia, Cent. S. E. Midlands, E. Channel Is., Cent. Wales...

Further cut likely in MLR

By Michael Blanden A FURTHER CUT in the Bank of England's minimum lending rate is likely this week as short-term interest rates in the money market continue their downward trend.

Steel offer

An agreement to sell foreign steel in the U.S. at agreed minimum prices is not thought possible, as it would conflict with the domestic laws on free competition.

There's one London bank that really understands Eastern Europe. Moscow Narodny Bank.

Moscow Narodny Bank. The bank for East-West trade. 24/32 King William Street, London, EC4P 4J3. Branches in Beirut and Singapore. Representative Office in Moscow. TOTAL ASSETS EXCEED £1,500,000,000.